UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

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TECHNOLOGY RECYCLING: ACHIEVING CONSENSUS FOR STAKEHOLDERS

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ROUNDTABLE ELECTRONICS RECYCLING

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ROOM 4830
U.S. DEPARTMENT OF COMMERCE
WASHINGTON, D.C.

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SEPTEMBER 21, 2004
1:00 p.m.

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DEPARTMENT OF COMMERCE STAFF PRESENT:

PHIL BOND	Under Secretary for Technology
BEN WU	Deputy Under Secretary, Technology Administration
DANIEL CAPRIO	Deputy Assistant Secretary for Technology Policy

STAKEHOLDERS PRESENT:

DAVE McCURDY	President, Electronics Industry Association
ARNOLD GROTHUES	Vice President, Industry and Government Affairs, Radio Shack
JOHN HAYWORTH	Director, Environmental Management, Institute for Scrap Recycling Industries
DAVID ISAACS	Director, Government Relations, Hewlett Packard
KEVIN JOHNSON	Senior Manager, Government Affairs, Target
KATE KREBS	Executive Director, National Recycling Coalition

STAKEHOLDERS PRESENT: (cont.)

CLARE LINDSAY	Director, Product Stewardship Program, Office of Solid Waste, Environmental Protection Agency
PAULA PRAHL	Vice President, Public Affairs, Best Buy
DAVID THOMPSON	Director, Corporate Environmental Affairs Department, Panasonic

AGENDA

P R O C E E D I N G S

(1:08 p.m.)

MR. BOND: Welcome everybody to the Department of Commerce, and let's get our program started. My name is Phil Bond. I'm privileged to serve as the Under Secretary here for Technology, and I'm happy to welcome you here to the building for an important discussion, and one of the great, great stories of the United States in the last 20 years has been the growth of the high tech sector, especially IT. In particular, its contribution to economic growth, standard of living, giving rise to the ubiquitous consumer electronics products that we see, improving the quality of life, and contributing much. At the same time, we now are faced with more and more of these products reaching the end of their life cycles, and that is requiring political institutions everywhere to begin to discuss and deal with a looming issue, an issue that could really affect the very competitiveness in this increasingly competitive world of the same technology companies that have helped to drive our economy.

Here is the state of play. By some estimates, about two million tons per year of scrap, 20 to 50 million PCs per year, requiring management of electronic waste. And, of course, this is, as I mentioned receiving greater focus from political institutions. State and local governments in this country are considering a number of actions, searching for ways as responsibly manage the waste and protect our environment.

Internationally, it's much the same, Brazil, Denmark, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, Taiwan all with eWaste legislation. And, of course, based on the EU Directive, we can anticipate that other EU states will implement legislation soon.

Here in the U.S. there are several federal bills that were proposed during this Congress, and at the state level about 36 eWaste bills in 17 different states. They run the gamut, as probably everyone here knows better than I, from bans on electronics, to restrictions on mercury or other chemicals, to advanced recovery fees that have gotten a lot of attention.

Of course, the most well covered actions have been in Maine and California, where laws have been passed. And Maine, as I understand it, is asking manufacturers to reimburse consolidators. And in California, asking companies to phase out heavy metals and set a fee to be collected by the seller or retailer. There's a growing concern, I think it's fair to say in every state, and a concern among policymakers here that we could have 50 different rules and regulations which, again, could dramatically affect the manufacture, the marketing, the business models of an important sector of our economy.

Now what would be better than that patch work, if we could do it, what would be better would be to create a national roadmap for a national solution, and that's the purpose of the roundtable today; to engage in a discussion with the various stakeholders that we've mentioned, to lay to the range of issues that the next Congress and the administration will have to deal with. I was tempted there to say the second term of the Bush Administration, but I didn't want to say that, so we'll just say the policymakers will deal with that.

And I guess at this point I want to underscore because of EPA's key role in this, that certainly we and Congress believe that our colleagues at EPA seriously consider U.S. competitiveness in their deliberations, but it is not their core mission. Here at Commerce our core mission, especially in this bureau, is technology competitiveness. We like to think we're environmentalists too, but that's not our core mission, and so that's the reason we wanted to have this discussion here today at Commerce.

The bureau that I oversee here, Technology Administration, intends to take today's proceedings and submit a report to the next Congress and to the administration to lay out some of the issues. And I want to make clear for anybody interested that we will be soliciting and accepting statements for that record to build a record to give to the next Congress.

We've talked a lot about different levels of legislators and lawmakers, that this issue, of course, is one that is critical to industry, as well. In fact, much of our policy prescription starts with industry. I'm pleased that we have a number of technology organizations who really stepped up here and provided leadership, none more so than EIA. And I want to commend Dave McCurdy here to my right who presides over that organization for their great leadership.

U.S. industry has been participating on a voluntary basis in multi-stakeholder dialogues, the best known of which, of course, is NEPSI, which they have been working in for the last three years. And they have been working very cooperatively with EPA.

We convened this roundtable to have a discussion, and I want to make clear that it is not in place or supplementing anything. We hope it will complement the great ongoing work in NEPSI and with EPA. The goal, and it's not a small one, is to find industry-led solutions that also will serve to maximize the collection, reuse, and recycling of these products. And it can give some certainty in some direction, and therefore, competitiveness to these countries, something that will in short yield both environmental protection and international competitiveness.

Today we have representatives from the electronics industry, from retailers, recyclers, and other environmental organizations. And the discussion will focus specifically on different collection and financing mechanisms, as we look at that.

Let me try to introduce the panelists here; Dave McCurdy I mentioned on my right, the President of EIA. We have Paula Prahl, Vice President, Public Affairs at Best Buy. David Isaccs from Hewlett Packard. Next we have Arnold - help me.

MR. Grothues: Grothues.

MR. BOND: Grothues, thank you. Vice President, Industry and Government Affairs for Radio

Shack. Next we've got Kate Krebs from the National Recycling Coalition, Executive Director of that organization. Jumping over here trying to read names, Clare Lindsay, Director of the Product Stewardship Program over at EPA. Thank you for being here. Everybody is now helping me out. I appreciate that. Better late than never, they say. John Hayworth, Director of Environmental Management at the Institute for Scrap Recycling Industries. Kevin Johnson is with us today, as well. He is the Senior Manager of Government Affairs for Target. Thank you for being here. And last, and certainly not least, we have David Thompson, Director of Corporate Environmental Affairs with Panasonic. To my left, Ben Wu, many of you know has served here as the Deputy Under Secretary in Technology Administration, and is currently awaiting confirmation by the Senate to be the next Assistant Secretary for Technology Policy.

I don't want to forget Dan Caprio, who has joined us as Deputy Assistant Secretary for Technology Policy coming to us from the FDC, and I know many of you work with him in his role over there.

To kick off the discussion for this first panel, I'm going to turn to Dave McCurdy for some opening comments. And after that, in an effort to direct some of the conversation, I will try to direct questions to different folks for initial comments, and then invite others in the panel who want to to comment on any of those. And we'll try to then move as timely as we can and cover as many topics as we can. But let me turn to Dave McCurdy, who I know at some point will have to exit to go in his role as host of the World Electronic Forum. I'm going to let folks know that I, too, will have to leave early to go a meeting across the street, and Ben Wu will then take over the chair. Dave McCurdy. Thank you.

MR. McCURDY: Thank you, Mr. Secretary. And on behalf of Electronic Industries Alliance and our sister organization/partner, the Consumer Electronics Association that's been very involved along with our environmental issues council. I want to thank the Department of Commerce and you personally, and Ben, for your leadership and for hosting this roundtable, because this is a very important issue to our industry, and for bringing the stakeholders together to talk about the challenges we face in creating a sustainable solution to the electronics recycling issue.

When it comes to this issue, recycling, the high tech industries are working to develop short-term and long-term solutions that make sense. Over the past several years, our companies and many others have supported and have been supporting or developing innovative recycling programs that are giving consumers many options for clearing out their closets of old equipment.

For example, this summer HP teamed with Office Depot to offer the first nationwide free recycling program at every Office Depot store across the country. We're excited about this program, and Dave, we look forward to hearing the results of this initial phase.

Panasonic, along with Sony, Sharp, JVC and Lexmark continue to support pilot programs of recycling of their own products around the country. So far this year, Panasonic has supported over 260 such collection events around the country. Dell has also been active in providing grants to local communities to fund collection efforts, so there are many, many efforts out there.

In addition, many of our companies were founding members of EPA's Plug-In to eCycling Program, which is coordinating several pilot programs in different regions of the country, and these are all very positive.

The EIA Consumer Education Initiative website also supports this EPA project, and offers a comprehensive nationwide list of recycling opportunities for consumers. The website currently lists close to 2,000 collection events, non-profit groups and electronics recyclers.

Our member companies are also working to lessen the environmental impact of our industries' products over the entire life cycle from design, to use, to end of life. Manufacturers can play a critical role at the design phase, and by helping provide markets for recycled materials. EIA believes in a national electronics recycling program that's fair, effective, efficient, and consumer-friendly, and most importantly environmentally sound.

However, as we've seen, and as the Secretary mentioned, the activity at the state level has been increasing. Our fears about a patchwork of state regulations has unfortunately come true. California and Maine now looking to implement radically different programs and approaches. That's why we're focusing on efforts of creating a national system that will achieve the goal of increasing recycling while not impeding interstate commerce. We believe a sustainable national system will encourage increased infrastructure necessary within the United States for a successful electronics recycling system. We believe that all the stakeholders, and there are a lot of stakeholders, but we believe that they all have an important role to play in managing these products in this system. And by those stakeholders we mean consumers, retailers, manufacturers, governments, recyclers, and others.

Now earlier this year, representatives from the U.S. Electronics Industry endorsed a resolution with state governments and environmental groups as part of the National Electronics Products Stewardship Initiative, we refer to as NEPSI. As part of that resolution, manufacturers have been working together to develop a framework for financing the nationwide recycling program that NEPSI will then recommend to Congress.

Having a little experience on the other end of that equation, I said to several groups that we have an opportunity, I think here, and that's why it's so important to the Secretary and Commerce here are providing the leadership, because I think there's a leadership -- there's an opportunity to create some consensus. We're very close, but we need that consensus before approaching Congress with either reports or activities which quite frankly you can never predict the outcome when dealing with a body like that, so we think the goal of consensus on this approach is critical, and the opportunity is now.

There have been a lot of meetings, hours, and hours, and hours of meetings that our staffs and principals have been involved in. And we did make -- we have made progress. I think this resolution that NEPSI agreed on was a critical step, and EIA has come together I think with a broad consensus. Now is the opportunity to bring out the other issues and comments from stakeholders, and then come with a solution. Maybe we ought to lock this door until we get a consensus, three hours and not let anyone out. But in all seriousness, I think the goodwill is there, and I think there's leadership available. And I appreciate the objectivity and the willingness of this administration to step forward with leaders like Phil to try to make this happen.

With that, I wish you good luck, and we'll look forward to the positive outcome.

MR. BOND: Thank you, Dave. We're going to move into the discussion. I want to reiterate that while I may toss a few of these different folks, that we look forward to an open discussion with folks around the panel offering some of their thoughts. I want to forewarn you, too, that we will have a break around 2:30, so you can look forward to that if you're fidgeting in your seat. We'll have a little break at 2:30, and then you might be able to enjoy some of the refreshments. I want to thank EIA for that, as well.

We want to cover four main topics, and I'm sure the discussion will successfully range to those and others, but I want to make sure that we cover the questions of defining covered devices, collection strategies, financing, and then looking at what government needs to do.

Let's start with defining covered devices. And I would like to turn to Clare Lindsay from EPA and Kate Krebs from the National Recycling Center, if I could, to help us put this in a little bit of context in terms of which products are the most important to cover, i.e., where is the volume coming from in terms of landfills and projections as we look out over the next 10 years or so.

MS. LINDSAY: Okay. I think while electronics as we estimate comprise between 1 to 3 percent of municipal waste across the country depending on where you are, so it's not a huge portion of municipal waste. It is a fast-growing portion, and it is a portion that contains some constituents of concern, notably lead, especially in CRTs, cathode ray tubes, so EPA's first and primary focus has been on cathode ray tubes which are found in televisions and in PCs. Of course, now we're moving to flat panel, and so cathode ray tubes are becoming a thing of the past, but there is a large, large backlog of those products in storage, and they are increasingly showing up in landfills and incinerators.

There's a concern about having too much lead and other toxic constituents potentially released into the environment. But I would also say that EPA is, as much as we are concerned about toxics, we are also very concerned about the fact that these are large, often bulky products. Yes, they're getting smaller over time, but they've been large - bulky products that are hard to manage, and represent, in our view, an unfortunate waste of resources because many of them, especially IT equipment has quick turn around and quick obsolescence. So we look at this issue from a standpoint of a difficult and expensive waste stream to manage, one that contains some toxics, a concern that we just as soon not have accumulating in the environment, and one that we think represents a disappointing waste in resources, so our focus is let's try to get these things into reuse and recycling as much as possible.

And in terms of the quantities, there are estimates all over the country from individual states and at the national level, that we are talking about hundreds of millions of PCs and TVs. And that's not even counting printers, faxes, cell phones, many other products that also contain both precious metals and heavy metals, and other constituents of potential concern.

MS. KREBS: I don't have much to add, other than from our perspective and from our membership, the environmental concerns are clear, as far as the constituents of different products, and their disposal methods. But also, from the conservation and natural resources, and these are products that have materials in them that have a value, that should go back into our infrastructure here. And in particular, into the recycling structure, so from our perspective, the product field could be broad, but there's also recognition that it takes a while to build the infrastructure to capture materials back.

I think back to the early days of household hazardous waste, and how we as a country started to deal with that material, and collecting that material - not to implicate that this is on the same level or the same constituencies, but from a recycler standpoint, building that infrastructure took some time. It took a while to figure out how to collect what was out there, same kind of uncertainty about what is available, and what needs to be built to capture that infrastructure. So there were a number of one-day events to collect materials, and try to clean out that backlog as the backside infrastructure was being built to recycle materials. So our organization comes in from two points of view. The first priority is from an environmental standpoint. These are natural resources we should try to capture. And second, there are concerns on disposal methods for some of the constituents in the materials and products that are coming through the system.

MR. Grothues: I think our concern at Radio Shack is simple. We like to see the products clearly defined. We'd like to see a limited number of products, if we're talking about CRTs being a problem or flat screens being the problem then define it narrowly to meet those products.

I've seen bills that define the problem as anything with a printed circuit board. Well, almost everything made today has a printed circuit board, so I would just ask everyone to consider when you're drafting any type of proposed legislation or any type of recommendation, it should be narrowly confined to what the problem is that's identified.

MR. HAYWORTH: John Hayworth with ISRI. I think it's really important - I mean, ISRI represents recycling that has literally been around for centuries. Our members recycle approximately 125 million tons of materials annually. It is important that we identify the materials that may have concerns, but also identify the fact that any and all of the electronic products are, in fact, commodities, such as ferrous, non-ferrous, plastics, glass, so forth and so on, and are not just in a category called electronics.

ISRI member companies every single day recycle all of these different commodity streams, and when thinking of a CPU or a CRT, all it is are those individual commodities wrapped in a different package. And so I think we have to be careful, when we're talking about what things we want to cover, well, I think we want to recycle all of it, or as much as absolutely possible. So if we're thinking about strictly CRTs, I think it's important to consider that most of the glass-to-glass recycling for CRT or leaded glass in the United States is starting to leave the U.S. So that may be a product stream that is going to be more difficult, if we want to look at strictly domestic recycling, but then there are also opportunities off-shore possibly.

MR. BOND: Clare.

MS. LINDSAY: Yes. I just wanted to add that I don't want to leave the impression that CRTs are the only thing that people care about. It's where we started, and I just want to say that the NEPSI group got pretty darned close to defining what they thought was an appropriate scope of products, and I'll just share that with this group here; TVs, computer monitors including CRTs and flat panel monitors, personal computer CPUs, including laptops, and large computer peripherals, printers, scanners, and small computer peripherals, mice, keyboards, et cetera. So you can see that it's largely oriented around the TV and the common IT equipment.

The thinking that I've heard from many, many states and to some extent from recyclers is that if you can fund and get in place an infrastructure for this array of materials, there's a fair number of products that can kind of go along for the ride without adding a whole lot cost, and potentially adding more value to that stream. So that's where NEPSI focused, that's where that multi-stakeholder group got to. But I just want to emphasize that it is, in part, a concern about growing toxicity potentially in landfills and incinerators, but it is also probably to a greater extent just smart use of resources for products that are continually churning.

MR. BOND: Anybody else on that particular point. I was struck by the reference to the rapid innovation cycles, which is, of course, a great point of pride in job creation from the tech sector, but trying to marry the question of recycling into the innovation cycles has got to be something, David, that you guys are thinking about. Anything you want to --

MR. ISAACS: Sure. And I agree with what's been said so far, and it's because of the desire to conserve natural resources that we established our recycling facilities. And we started this in 1989. I think now we're the largest IT recycler in the country, and we take this very seriously. What we're trying to achieve along with our design teams is getting our material back, and then incorporating that recycled content into new products. And that's where we see the efficiency gains to be achieved, the environmental gains, and hopefully some cost gains, as well.

MR. BOND: So from your perspective, what was almost your product-line, no problem. A little different perspective than we heard on those who would prefer focus on CRTs.

MR. ISAACS: Well, we actually think we should start slow and have a relatively defined, a small defined class so that we can develop the infrastructure. We think that everything should be recycled to the extent it makes sense, and the infrastructure is there to deal with it. We think that it makes sense to start with a limited class, and grow that as we gain experience. We think it makes sense to start with the consumer first, where there's the biggest gap in the recycling opportunities, and let business and governments, and institutions negotiate deals for proper recycling with their vendors, or other entities. And then grow the infrastructure and grow the product list as we gain experience.

MS. PRAHL: I think there's -- the list that Clare talked about makes a fair amount of sense from an ease of understanding, from the consumer standpoint, that could make sense of them. And yet, it's not as easy when you start to add a cost to it. And if each one has a different cost associated with recycling, but then you have to explain to the consumer and it falls apart, so you can't say that's a great list absent the conversation about the mechanism by which we fund the recycling.

MR. THOMPSON: I, too, think that we need to think through and be careful with the type of list that we start with. We have done a number of collection events over the past four years, probably something in the range of about 750 all together for Panasonic, Sharp, Sony, a couple of other companies have covered the cost of recycling our products that have been collected at local events and returned to certain recyclers. And we have said that whatever that community wants to collect, that we would then cover the cost of our brand in that collection mix.

I guess the concern that I would have is that if we make the list too narrow, given that people have expectations about recycling programs and what they're going to bring in, my sense is that you hold a collection event for CRTs, and people are going to show up with a lot of different stuff, and they're going to want to have it recycled.

I think that you just need to try to draw that list at something that would support a larger stream, because it is going to come along into that process.

MR. BOND: And the larger stream I think feeds your infrastructure point. Correct?

MS. KREBS: Absolutely.

MR. BOND: Now you said it takes a while. Can you give a finer point on that?

MS. KREBS: Sure. I think we need to th ink back, and both John and I have members that have been in the recycling industry for decades. And even cans and bottles weren't done in a year, and we're still figuring out a lot of those materials. So if there isn't a healthy end-use, remanufacturing industry set up, we can collect all we want and then get a barrier. And so in my mind, the strategy that's taken, even though I know it's created some tensions within sectors around the country, is that the one-day events or the flushing out of the stockpiles has been actually a good move, so that when we have a lot of the challenges figured out, we'll be starting at a more level that can be handled from a new infrastructure. As we bring in all the very probably what some feel like ancient materials back through and get rid of those, we have new challenges to figure out reuse and recycling for, and so it will always be a dynamic that will be changing, but I think that the other products that are traditionally recycled took some time to develop the end-use infrastructure. And I think this will, too.

That doesn't mean we sit back and wait. We have to continue to push and feed materials through. And there's a lot of creativity on the end side of it, on the recycling industry side of it that continues to take place.

MR. BOND: John, maybe you and Kate, as well, can help us understand a little bit more about the state of the industry. It's important I think contextually to kind of lay that foundation for some of the other discussion. You pay for scrap metal, for instance. Is any part of electronics recycling actually profitable, or at least covering costs right now?

MR. HAYWORTH: Yes, absolutely. I think one of the keys here is that a lot of people think that just because you or I get tired of a machine and want to upgrade to another machine that it should go directly to recycling. I think there's a very significant component here that we don't talk a lot about, but from a financial standpoint a very valuable component, and that's asset management. It’s one that several of my member companies have really gotten involved with heavily. But they do that up front, and they basically move through a stepwise process.

They look at the potentials for asset management. Then they look at demanufacturing opportunities for components within the unit that can be either resold or reused in some other refurbished product. And then they move into the recycling stream, where they can use various types of processing applications, such as shredders, multiple stage shredders, sortation technologies that they can separate the materials out into the ferrous, non-ferrous, plastics. They can take that then to either precious metals recovery, or they can go directly after processing to smelting operations, which in turn go back to the materials that go back to the manufacturer for new products.

Right now ISRI has about 1,200 member companies, 200 of which are involved with electronics recycling, have an Electronics Recycling Council that numbers about 40 companies that are really anywhere from 50 to 100 percent of that is their entire business, is electronics recycling.

The reason I bring that up is that 1,200 companies, that 200 companies, that ranges up to maybe 2,500 to 3,000 locations in the United States, so we start to talk about a recycling infrastructure. I'm not saying that my members are ready to jump up on the table and say yes, let's do it. But I think that's something that needs to be considered in the discussion; we do have these operations and it may, in fact, play a part of the infrastructure necessary to bring all of these electronics back into the recycling loop, or the asset management loop, or the remanufacturing loop.

MR. Grothues: Can I ask a question? The list that Clare read out, is that a profitable enterprise today for recyclers?

MR. HAYWORTH: Depends. A lot of it is volume-based. I mean, it's very much -- it's a commodity business, so the greater the volume, the wider your margin, the less the volume you get to a point where no, it isn't profitable, so you need some kind of front end assistance.

Along those lines - I'm glad you raised the question, Arnold - is the fact that I think we're so fearful of having some kind of a front end fee, let's think about that for a moment. We've had a front end environmental fee on the management of lead acid batteries for several years. We've had the same on tires for several years. We're probably quick to say well, wait a minute. We've had fees on tires, but at times it goes into a state fund that is earmarked for tire management, ends up being raided because the state needs it. So I think we have to be very careful if we're going to start with some kind of an up front fee that is truly not just earmarked, but to the greatest extent possible guaranteed to move strictly for the funding of electronics recycling. While a fee may be necessary to start, it must be a short term fix with an eye to the end markets driving the program.

MR. BOND: Well, we'll certainly get to the financing discussion I'm sure in a very full way later, but I want to follow-up on this. For instance, in terms of volume, is there enough volume in CRTs right now that you know your members can be profitable or currently are profitable?

MR. HAYWORTH: Well, as I mentioned I think earlier, one of the problems we're starting to run into in the United States is that leaded glass, glass-to-glass recycling, the manufacturers are starting to move their plants out of the United States, so the answer to that is probably no. But if you can have the volume to actually make it profitable to go offshore to those glass-to-glass folks, certainly that opportunity may be there.

MR. BOND: What about the precious metals aspect of --

MR. HAYWORTH: Precious metals is what used to drive electronics recycling. But as we've gotten smarter about circuitry and the precious metals have started to diminish, that's not as large a driver as it used to be. There is still precious metals there. Several of our members still, in fact, retrieve the precious metals to the greatest extent possible, but that's not the real driver.

MR. BOND: Clare, and then we'll come here and here.

MS. LINDSAY: Just a couple of things that I picked up in hearing people talking about this for years, is that my sense is that the place where there's the most potential for payback is in the IT equipment. And that is because there's a secondary market for a fair amount of this stuff. I mean, David would know much better than I do. Also, you can reuse the parts to a larger extent in making new products.

With televisions, they tend to be a whole lot older, and it's just a scrapping process. And as time has gone on, I mean I think what John has said, it used to be precious metals that drove -- why people wanted any of this stuff back. All of those things have been reduced significantly to the point where that's -- you're not really going to make any money getting the precious metals out, and you're going to be left with things like plastic that have almost no value. So that's why we've all been ending up talking about some sort of a fee to subsidize this, but that's what I know about where the money is.

MS. PRAHL: I was just going to ask a clarifying question, and that is; it could be profitable. Does that include the transportation cost of getting the product to you?

MR. HAYWORTH: That's the key.

MS. PRAHL: Okay.

MR. HAYWORTH: That is where you lose a lot of your profitability, is in the logistics; hence, the reason I mention a large number of operating locations that my membership actually has. Again, I want to be sure I clarify, I'm not saying they're ready to step up to the plate, but I think that might be a potential opportunity, so logistics is huge.

MR. THOMPSON: We have CRT plants in Troy, Ohio, and Horsehead, New York, and we were able to work with one recycler and our glass supplier to collect back CRT glass and put it back into our manufacturing process, and eventually achieved about 15 percent post consumer CRT glass recycled content in the funnel portion of the CRT that we were manufacturing in Troy, Ohio. That story is going to disappear since the glass manufacturer is now moving offshore. But I have never had the sense that the value of the leaded glass, which I think was maybe 15 cents a pound at the most would ever cover the cost of collecting the product, disassembling the product, cleaning that glass and then returning to the process, so I'd just like to say I don't think CRTs are ever going to pay for themselves.

MR. BOND: Kevin, do you want to get in here on behalf of Target?

MR. JOHNSON: We discussed in the back room and briefly when we started that I think we all gaines some sort of consensus that we need to have an actual solution, and I think the end goal of this meeting was to essentially gain consensus on these four parts.

Is it fair to say right now that in terms of what a covered product is, a covered device is - we haven't quite gotten there, but whatever that is, or whatever those devices should be, it should clear, limited in scope, and easy to understand and manage. I mean, is it fair to say that we all agree upon that? Just trying to come to some agreement upon everyone at the table.

MR. BOND: I'm just the reflecting glass here.

(Laughter.)

MR. BOND: It's not for me to answer for them.

MR. JOHNSON: It strikes me that we are essentially saying the same things. But when we open it up and get into the details - let's put it that way - that's where the issue gets really complicated, so it would be nice to at least agree upon some overarching standards or guidelines, if you will.

MS. PRAHL: I guess I could say that I agree with that, but I think David's point that you can't believe what else comes in behind, you know, the number of George Foreman grills that I saw last week in a parking lot is astounding. People don't know what should be recycled and what shouldn't be. And their natural inclination is to stockpile it in the attic, or the basement, or the garage until they see some place they can dump it. So while we may want to limit it to some group of things, and I think that makes sense, and my company would want me to say that - I think the reality is there's a wider stream of stuff that people don't know what to do with, that we're going to have to deal with somehow.

MS. KREBS: I very much agree with what we developed through NEPSI as one of the NEPSI stakeholders, and we spent - for the folks that were in the room - endless hours talking about what should be covered. And the consumer overlay I think, Paula, is incredibly important. And from the recycling industry standpoint, you'll always have that. You could have a drop-off recycling center that is for cans, and bottles, and newspaper, and you'll get those grills, because people want -- they spent money on them. They see that it probably has a value somewhere. It has some metal in it. Please take it. And so I agree that that comes up, but I think we spent a long time trying to define what should be included, and I agree with this.

MR. BOND: Yes, Clare.

MS. LINDSAY: I think that all of this discussion makes a lot of sense. And while I didn't get your words exactly, Kevin, I think that the sense that we had coming out of NEPSI, as Kate was alluding to, is that there's a certain number of core products that we know we'd like to get back and recover. You don't necessarily have to put a fee on each one of those products. We talked a lot about that at NEPSI. You don't have to have a fee on a keyboard or a mouse. You can decide what the universe of products is that you want to deal with, taking into account David's concerns about the fact that a fair amount of stuff will come back. And then taking into account the concerns of the retailers, that there's only so much they could possibly manage. And then you can decide that a subset of those products will actually have a physical fee on them, so that you can then further reduce the administrative complexities of collecting fees, and managing changes in fees and all that. So we ended up divided the problem into two.

What is the universe of products that we want to be able to afford to handle, and which are the best among those products in terms of fairness and in terms of whatever concerns the retailers might raise. What are the best products to put those fees on, which might be significantly smaller.

MR. BOND: David.

MR. ISAACS: Well, I was actually going to make another point, but I've held my fire long enough here. We don't agree with fees, and we've made that clear, and we don't think that that's the way to go. We certainly don't think having certain products subsidizing the recycling costs of others makes sense. And with regard to the list of NEPSI products, that's a good a list as any, but a list in isolation without an agreed upon solution is an entirely different matter. And until we come up with a solution, maybe we need to develop that before we then discuss what list of product it applies, or at least in conjunction.

MR. BOND: Okay. And you're going to get a second bite at the apple because we are going to come back to financing, and you'll need to make those statements again. Let me take a stab though at this one point.

A lot of consensus, some concern on the NEPSI list as a starting point. Arnold, your earlier stated concern about some certainty I think is what you were saying.

MR. Grothues: Right. And the NEPSI list does provide some sort of certainty -- the fear I have is when you get to some of these bills that I've seen at the state level, that basically say anything with a printed circuit board has to be recycled. That's too broad, and I've seen that. I saw it in Texas. I've seen it in several other states pop up. They haven't passed yet, but that's the type of bill that just scares the heck -- it should scare the heck out of everybody at the table, but it scares the heck out of me.

MR. ISAACS: So, Phil, my point -- Mr. Secretary.

MR. BOND: You've called me worse.

MR. ISAACS: We've got some history. So we don't see why we should be subsidizing the cost of the George Foreman grills. And then you start going down a road of tagging on fees to everything, and then you lose that simplicity, and streamlined approach. And as we'll get to shortly, we don't think that's the best starting point to begin with.

MR. BOND: But somewhat related, where I was trying to go in the question there is to avoid that following a path to who knows where, to other products and so forth - a question of certainty which I think leads to the time you need for the infrastructure, perhaps along with some consensus around the NEPSI list. And I take your point about wanting a whole solution first, but if there was some consensus around the list, coupled with some kind of time frame before that could be expanded both for infrastructure reasons and for business planning reasons, does that help assuage some of the concerns? Okay. I see a lot of nodding heads. Well, let's shift gears. Let's move to what has already been touched on, the logistical challenge of getting this from the consumer to the recycler. And let's hear from some of the retailers here on how this would affect you in terms of the logistics and the moving. Who wants to go first?

MR. Grothues: I'll be happy to jump in. As far as the concept of in-store take-back of recycled goods, from Radio Shack's point of view, and I think from the point of view of most retailers, if not all retailers, that's a non-starter. It just presents a lot of problems for us, for several different reasons.

For Radio Shack, it primarily is a question of size. We have very small stores. We can and do recycle batteries, they're small. We can and do recycle cell phones. They're small. You start talking about big screen TVs, there's no place for us to put them. You also start talking about big screen TVs, and now you're talking about our employees handling stuff that we haven't sold. That increases the incidents of our employees getting injured and we'd have to cover the workman's comp on that. You're increasing costs that just make no sense for us, so from that point of view we really can't buy into the in-store take-back as a mandated model.

Voluntary take-back for items that we choose, that's fine, because we do it today. We do it for batteries, we do it for cell phones. But mandated for televisions and CRTs, and computers and everything else when you're talking about a store that has a size between 1,800 square feet and 2,500 square feet isn't workable. You don't have a lot of space, particularly when you have 3,000 to 5,000 products in that space. Our backrooms are going away within the next five years, and this is from a broader retail industry standpoint too. Most retailers are going to a just in time inventory concept, where everything is going to be stored out on the selling floor. You're not going to have a backroom to stick this stuff.

One of the reasons we enjoy the level of productivity that everybody boasts about today is retail. Walmart is a primary reason, and a lot of retailers following Walmart's lead is another reason. And the way this productivity has been achieved is just in time inventory. Anything you throw into the mix that slows that down is going to lessen productivity.

MR. BOND: Kevin.

MR. JOHNSON: Target is a general merchandise retailer, and we sell televisions, but we also sell socks and underwear, toothpaste, toothbrushes, and milk and sandwiches, the sandwiches that we ate today. My concern is, as Clare alluded to already, about some of these products being large, bulky, having hazardous materials. I asked the question, would you be willing to drink a glass of milk that came from Target than if you knew that there was a hazardous material sitting right next to it in the back room. What would you do when you eat that tuna or chicken salad sandwich that you just have, knowing that this 20-year old television with a cathode ray tube may have some hazardous material sitting right to it. I highly doubt anyone would say yes.

Just to piggyback on what Arnold, because of the fact that we're a general merchandiser and have so many different things in our backroom it would be hard-pressed for us to begin to take these larger products back there. We are not - nor do we want to be a makeshift recycling center. I mean, there are other facilities that can handle that, that are experts in doing this, not Target.

MS. PRAHL: I guess I would echo both of those. We don't have milk and cookies in the back, but we don't have much of a backroom either. But it presents a whole host of problems, and while for certain retailers it might not be as big an issue, it is a issue for those who have pharmacies, for those who have food retailers. And it's an issue for small retailers. You know, retailing in Manhattan, Kansas is drastically different than retailing in Manhattan, New York. And the space and the ability to move product around is significantly different. So I think it's not sort of one -- it sounds on occasion like it's sort of a one-stop solution. It isn't exactly, because it's so drastically different for so many different retailers.

MR. JOHNSON: At the end of the day, I guess the bottom line is that retailers aren't trained, licensed, or equipped to do this, the concept of product take-back. The manhours that we would have to insert in terms of training our employees - we'd have to bring more manpower in to do that. And then it brings along another thing of where would we store it. Where would you store the products that we'd take back. Where would we house them? For how long would we house them? What type of transportation would we have to pick them up? It's just to Arnold's point, it's a non-starter with retailers. And I thank you for bringing retailers to the table. There have been many discussions where the retailer hasn't had the opportunity to be at the table. And as my boss always tell me, if you're not at the table, then you're on the menu.

MR. Grothues: One other point that distinguishes retailers. Not all retailers own physical space, some of us lease. And there are restrictions as to what we can do with our space. There are restrictions as to events -- for example. Paula (Best Buy) can hold a trailer truck event in her parking lot. I (RadioShack) can't. The lease wouldn't allow it. The other retailers in the strip mall won't allow it. So when you start thinking of retail as one homogeneous group, I believe it's the wrong concept, because there's a lot of different type of retailers.

MR. BOND: Would you grant that that cuts both ways, that there are retailers who have been successful with take-back recycling programs?

MR. JOHNSON: I think that there are retailers out there that see it as a competitive advantage voluntarily. I think what we're leading to is that this shouldn't be an issue. This should be something that should be mandated on retailers.

MR. Grothues: I agree. You (Target) probably recycle stuff. We (RadioShack) recycle batteries and cell phones. Paula (Best Buy) has recycling events, I know, so we all do it voluntarily. It's the concept of trying to mandate our stores as drop-off points for consumers to drop whatever they want. I shudder to think of it. If we get two or three big screen television sets in one of our stores, you won't be able to get in there. You'll be tripping over stuff everywhere. So we already have that problem.

MR. BOND: Kate.

MS. KREBS: I think the opportunity with retailers from a recycler standpoint is that you're there at that point of sale. When a consumer is coming in to purchase a new product, and that is such a prime opportunity to talk about what to do with your old product.

MR. Grothues: From an education point?

MS. KREBS: From an education standpoint. And we aren't talking funding yet. That will be another hour. The opportunity you have is so unique and so primary to the education outreach, consumer awareness so that they do it right, and so that they know, because they'll be taking the product, whether it's from a retailer or directly from a manufacturer at home, and they'll have that old product that they'll have to put somewhere. And I would encourage retailers to participate wholeheartedly in that part, because that's what clearly you all do well. And that's just a unique moment when getting the right information in the hand of the consumer is right there.

MR. Grothues: I think that's a fair observation and I think it's something that retailers try to do generally, and do with regard to their own voluntary programs. I mean we educate people in recycling batteries. We educate people on recycling cell phones, so it's something right now that we do, but only with regard really to our own programs.

MR. BOND: Any -- Clare.

MS. LINDSAY: Yes, just a couple of really quick comments. What I've been hearing is that there's general acceptance of the fact that retailers are collecting some of these materials right now. And, in fact, doing it quite well.

Under our Plug-In Program, there have been some fabulous pilots this year. HP working with Office Depot nationwide, Staples working in both the Pacific Northwest and in New England - good guys taking back TVs, and Best Buy was really the pioneer in this. And they've been experimenting with both their -- some in-store and we're interested to hear how that's gone for them. But also, primarily in the parking lots. So just to give you, again, a flavor of where this discussion was in the NEPSI process.

I think everybody recognized that it didn't make sense to mandate Radio Shack to take back stuff in their stores for exactly the reasons that Arnold has outlined. And the same reasons that Kevin is concerned, although I would say that we have TVs and PCs in our kitchens next to the cookies and milk, so it's not just when it's just sitting there that you have a hazard. It's only when it's broken up or otherwise mismanaged.

I think what we all came to in NEPSI was that you ought to let whoever wants to collect this stuff, collect it. And that may include some of the retail community. It'll also include local governments. It will also include the either waste managements and BFIs, and so just make it a free-for-all, for whoever it makes sense, for whoever thinks that it's worth it to them to collect the stuff and be reimbursed what the reimbursement is agreed upon. Let them do it, but don't make anybody do it. Don't make any one group do it. Yes. Just make sure that there's a funding available to facilitate whoever feels they're in the best position to do.

MR. BOND: I think the most telling point that I heard there is inventories aren't hazardous unless they're broken or mismanaged. Well, for the most part retailers never target -- we don't know how to manage that, so they wouldn’t be mismanaged, which goes to the point on why they're against that proposal, against its rules on mandating.

Going back in terms of the educational materials, I’m curious to hear from the manufacturers. Would you be opposed to having them present the materials embedded within the box. Or they bought 27 inch TVs that have those particular education materials on the bottom.

MR. ISAACS: In our literature in the owner's manual, there's something?

MR. BOND: Yes.

MR. THOMPSON: We've been putting a statement in our owner's manual probably for three or four years now directly people to the EIA website that

I think someone talked about before - David, I'm sorry, so we would be amenable to that.

MR. ISAACS: Yes, we've been doing the same.

MR. THOMPSON: There's many manufacturers in terms of who is the best --

MS. KREBS: But I would also challenge you to say that your sales clerk has the conversation.

MR. THOMPSON: Absolutely.

MS. KREBS: An exact conversation in that moment. And I agree, I love going home and reading all this stuff, and knowing how to put it on. And always look for recycling information, but I think there's a moment where if we could, and I know your sales team has to know a lot, but that moment is so key to pointing the consumer to the right place, even if it is referring them to what's inside the box. But bringing up the point of end-of-life of the product they're replacing I think is important.

MR. ISAACS: Kate, one thing to keep in mind - I agree with what you said, but we need to also keep in mind that there's not always a one-to-one exchange. This is not like tires, and a lot of people in this country don't have a computer. Or if they have one, they might want a second. And so they're not always turning over one when they purchase one.

MR. THOMPSON: I would like to echo that I think education is very important. I'd like to talk about that when we talk about this RBRC program.

MR. BOND: Okay. Dan.

MR. CAPRIO: Just a quick question for Dave. Dave mentioned that you've been putting information in your box or sort of pointing to the EIA website. And, Dave, do you have any information to sort of follow clickers, or know how many people link up to that, or take advantage of the material?

MR. McCURDY: I don't -- I have looked over to staff. As I said, there were 2,000 sites that are listed there on the website. And the relevant point of that, to me, as far as education, that that moment in time, and it truly is an important moment, is not for the life cycle of that particular product that you're selling, it's whether it's for the replacement of another existing item, because basically, they last a long time so there isn't as much of a turn-around there. So it really -- it's one thing to have a piece of paper that says you just buy the Panasonic television. Twenty years from now you may want to recycle it. That doesn't really stick.

What we're saying is if you have other

equipment that needs to be recycled, you can go to this website or whatever.

MR. LINNEL: The site receives about 16,000 views a month, I believe.

MR. McCURDY: It's still fairly new.

MS. KREBS: Our web page is the most visited site. It just is and keeping up on it, on the information that's out there is significant.

MR. McCURDY: And I would just say just one quick point to Arnold. I haven't heard anything to reinforce Clare's position of mandating the fraction of the retail side. I think you do have to worry though, if you're looking at 50 state options. You know, it's much easier to say that if you're coming up with proposed legislative approach for the federal level, it's much easier to agree on that and get that one logged in, as opposed to run the risk that you're going to have multiple targets of opportunity at the same local level.

MR. GROTHUES: We face multiple targets of opportunity just within California. One of the ways they twisted our arms to agree to the California advanced recovery fee law was a civic group going around county-by-county, and getting 20 different counties to basically threaten to impose in-store take-back on retailers if the manufacturers and the retailers didn't come to some agreement.

MR. McCURDY: Well, I love Kevin's statement about being on the menu if you're not at the table. There is a risk, obviously, of divide and conquer. And you end up with worse solutions than if you -- it's like sovereignty, if you're dealing with national governments or international organizations, sometimes you have to give up just a little bit in order to get the greater good. And I think that's the whole context here. There's going to be compromises and there's a really good story out there about this industry trying to do things, but it's a question of shared responsibility. And we think for us it is not just one place. It's not just on the retail, it's not just on manufacturers, not just on recyclers, or consumers, or taxpayers, or governments. It's across the board, and that's why we're trying to reach a common sense solution to this problem. I think you've got some good consensus already, Phil.

MR. BOND: Well, I think some good consensus here in terms of no mandates focused on retailers. Take some of Clare's comments that NEPSI in particular, similar feeling about no mandates being specific for manufacturers or others.

MR. GROTHUES: I think what Clare is talking about is in sales.

MS. LINDSAY: Yes.

MR. BOND: Yes. You mean to make it work ultimately, but first the consensus on no mandates. But the point I want to make on that is just a reminder of why we convened today, because while we may have a consensus here in our mandates, there are 50 states out there who might feel differently, and so thus the discussion.

Before we leave this topic though, a couple of points. One, Clare, you touched on it quickly in passing, but can you give us a little insight into some of the local government collection programs, and successes in that space? And then I also wanted to touch, Dave, on the rechargeable battery recycling cooperation too is an example of a pretty high rate of success and return.

MS. LINDSAY: Right. Yes, local governments were probably the first ones that experimented with taking the material back, and Minnesota was one of the first places. And they've been taking back electronics for a long time. Unfortunately, one of the problems for local governments is that they have to charge a fee at the point of take-back because they can't afford to pay for this material out of their tax base, because it's highly costly to recycle. So they tend to find that there's a limit on how much they can charge to take back an old television or an old computer. And often, that limit is not enough to cover local government's cost, so local government ends up still in the hole for part of this. That was why eventually the thinking turned to put the cost at the point of purchase, because the cost to help pay for the recovery of this material at end of life is such a small percentage ideally of the total purchase cost, it probably won't send the consumer walking and saying all right, I don't really need a TV because I don't want to recycle it at end of life. Whereas, if you're a local government and you ask them to pay $15 or $25 to recycle a console TV, they may say well, thanks very much. Let me think about my options and go and dump it into a ravine somewhere. There is some illegal disposal of electronics going on, and the higher you raise the cost of that, the more you increase the likelihood of it. So yes, there has been some good experience on the part of local governments. They still run into the problem of how are we going to pay for this.

Local governments were very involved in the NEPSI dialogue, and were very interested in getting a collection incentive fee, just like waste managers were interested, and potentially retailers and others. So it is being done, but it is hard to fund.

What local governments really like to do, and they're trying to do through the Plug-In Program is to partner with retailers and manufacturers to show the cost. And that's worked out pretty nicely, where the local governments do the bulk of the educating and the bulk of sort of the outreach. The retailers provide the location for the take-back, and also subsidize some of the cost. And then participating manufacturers say we'll cover processing costs. That works well, but that's voluntary and it's by no means anything that we've been able to make happen on a large basis. It's very similar, probably, to what would end up with a solution with a front end fee.

MR. BOND: We're going to get right into the fee discussion and financing here in a second, but first, one area where there has been a pretty high degree of successful take-back has been in rechargeable batteries. Do you want to talk a little bit about your experience with that?

MR. THOMPSON: Sure. The Rechargeable Battery Recycling Corporation grew out of the same problem or challenge that we face now. We had I think at that time five states or six states had passed laws that all differed slightly, and who was responsible for collection. Some states said the battery manufacturer, some states said the retailer, some states defined something called a marketer, which tended to be everyone in the stream of commerce, jointly and severally defined. So this program grew out of this patchwork of approaches. And essentially, the responsible party is the brand owner of a product. And the way the program is financed is the brand owner would contract with RBRC to pay a license fee, usually pretty small, and then put a seal on the battery that's covered. That license fee is then paid on a quarterly basis, and it's used to operate a collection program. It operates I think in 30,000 stores in the U.S. and Canada. And with all due respect to Best Buy and Target, Radio Shack was our first partner. We've very happy with that. They made the program work. So it collects the retail stores, it collects from counties and local governments that desire to collect batteries, and it also collects from businesses and institutional generators that have batteries.

The program was expanded to include other types of rechargeable batteries more commonly associated with cell phones now and laptop computers, I think two or three years ago. And we're also expanding our program to include cell phones now. So we organized this company as a group of battery manufacturers. I took a leave of absence from my company to start it up. I worked for about a year and a half to start the company up. And what I learned from it was that even though you were very kind to say that we're relatively successful, we have a real challenge in collecting batteries. People just don't throw them away I think in the way that we anticipated that they would. But my concern has always been, is that no matter how much we try to educate people about the need to recycle batteries, we were seemingly never, never successful. And I thought or concluded that if we had a visible fee at the point of sale, that that would be a real strong and valuable educational message that a consumer would get when they purchase the product. Hence, that's one of the reasons that we've come to support this advanced fee approach to the collection of recycling of other types of --

MR. BOND: What kind of data do you have on rechargeable batteries in terms of the percentage take back?

MR. THOMPSON: I can get data, but I'm going to guesstimate that we're somewhere in the range of 20 to 30 percent of what people say we should be collecting. I don't really know what people are throwing away. I'm not sure.

MR. BOND: You're shaking your head. Does that jive with what --

MS. LINDSAY: Yes. It's my understanding that this has been a tough sell. They're just so easy to throw away. It's somewhat different with electronics. I mean, people just -- it's not as easy to dump it in a can as it is a battery. That's what people do.

MR. THOMPSON: We made a mistake, honestly, when we tried to forecast out sales and then determine how we were going to collect a percentage of those sales over time. And I think we grossly misforecasted what people do with batteries.

MR. GROTHUES: Well, I think your experience would probably be a little bit better now that you've added in cell phones, because people tend to bring their cell phone in when they buy a cell phone.

MR. THOMPSON: What I meant is I can go to my video encoding division and they tell me a battery will last four years. And people throw it away in four years necessarily. I mean, we made those types of mistakes. So the recycle rate is extremely difficult to calculate. I don't think we really know what it is today, what it should be. But that was one lesson that I took, was that the educational challenge for us as a group of manufacturers trying to reach out to the American public and tell them about battery recycling was a tremendous challenge.

In fact, I suspect that companies like maybe Coca Cola, McDonald's, and General Motors would probably spend more money trying to get your attention for 30 seconds than what the battery industry is worth. You could come up with four or five companies, so that was a tremendous challenge, and I thought that the fee would be a good way to maybe send a strong educational message.

MR. BOND: I've enhanced the record.

MS. PRAHL: Are you going to leave now?

MR. THOMPSON: Another problem that we had was the so-called free rider problem, where many of the brand owners/manufacturers tended to be offshore companies. When we started this program in I think it was 1993-94, we had about 50 companies that agreed to participate and fund the program as licensees, and now we have about 330 companies. And we didn't grow that overnight. It was a very long arduous process that we increased the number of licensees very, very gradually over that eight year period. It took us a long time, several trips overseas to sell this program to overseas manufacturers. And we were just very frustrated and concerned about how difficult it was to bring people into this process, even though several states had laws that said you couldn't sell a battery in our state unless you were either participating in this particular program or had a program of your own, so we really struggled with that. And I still, I go out and I look at stores, and I can see a lot of products that are supposed to have battery recycling programs available to their consumers but they don't, so it still goes on to a much smaller degree.

And the third thing that really concerned me was the way the state laws were written, it required each individual manufacturer, brand owner, or marketer, whatever that was to develop and submit their own program. So we had a situation where perhaps it was 50 companies initially went with the

RBRC program, and then a number of companies decided to submit their own programs. And those tended to be, at least in my assessment, more often than not paper programs. And I thought that even though our own companies and the companies that participated in this program were spending substantial amounts of money to fund a battery collection program, that many of my competitors got off pretty cheaply because of the inability or unwillingness of states to enforce these laws. And for reasons like that that I have just outlined, we have come to think that the advance fee is a better way to fund a larger comprehensive recycling program for this country.

MR. BOND: Okay. Anybody else wishing to make comment here before we kind of close out this section?

MS. KREBS: I have on quick question, David - costs of the program. When you were thinking it through and doing your projections, did the cost of program pencil out as you expected or not?

MR. THOMPSON: We have --

MS. KREBS: Because of the lower return.

MR. THOMPSON: We have never raised the fee on rechargeable batteries, but I don't think we ever collected what we forecast people would throw away, and that's why we've never had to raise the fee.

MS. KREBS: I see. So the program expectations and the business model used was not affected by the lower recovery of batteries.

MR. THOMPSON: This is anecdotal, but in my own case, I received a camcorder as a present in 1991 that ran on nickel cadmium batteries. I still have the camcorder. I still have every battery that was given to me. And my manufacturing group would tell me I should have thrown that away in four years. I just think we made that type of use calculation in the life span, if you will, of the batteries.

MR. McCURDY: Again, you're talking about a small product.

MR. THOMPSON: Yes.

MR. McCURDY: Car batteries are certainly different.

MR. THOMPSON: I'm not trying to compare the two.

MR. McCURDY: Camcorder batteries or television, which is typically -- cell phone batteries.

MS. KREBS: I'm just wondering about the business model.

MR. BOND: Right.

MR. THOMPSON: I hope I answered your question, by the way.

MR. WU: David, just to clarify, you had mentioned in your previous statement that we support ARF. When you meant "we", were you referring to just Panasonic or a coalition?

MR. THOMPSON: I was referring to Panasonic and a coalition of companies. We formed a coalition that consists of about ten other companies; Hitachi, IBM, JVC, Mitsubishi, Panasonic, Sharp, Sanyo, Sony, Toshiba joined us for a while, and they have left the coalition, and Samsung has also joined us.

MR. WU: Okay.

MR. BOND: Thank you for that clarification. I think that's where we'll pick up. We're going to go ahead and take a short break, maybe be back here at 20 of. But let me do this. We keyed up the fee discussion and maybe in fact David will have you kick it off a little bit, like talking a little bit more about the coalition view, and get into questions like what should the fee pay for, collection, transportation, consumer education has been raised. And then since Clare gave us a little bit of the history here on some of the thinking in terms of that $15 fee, not much if it's part of your $1,500 brand new PC, quite a bit if it's to get rid of your old whatever, because I'm leaving and I could do this - I'll throw a monkey wrench into it, and say let's think too about the reality of constantly lowering through innovation the cost of all those products, which means that $15 as a percentage is ramping up, which just makes the calculation all that more difficult. A ten minute break, back here at 20 of. Ben Wu will be in the chair, and we'll have David kick us off. Thank you.

(Whereupon, the proceedings in the above-entitled matter went off the record at 2:26 p.m. and went back on the record at 2:47 p.m.)

MR. WU: We're going to reconvene for the second half. While Phil's off to the White House, I'll moderate.

We've also been asked to speak more into the microphone so make sure that everyone can hear us.

Dave McCurdy has been very generous with his time, but he said to me before we broke when I wished him good luck with the WEF, he said now you're getting to the fun stuff, I'm going to stay. And indeed we are.

We're going to be talking about fees which is probably one of the more controversial aspects of any proposed national solution. And so I would like to open it up and ask about the fee structure of the RAF and what sort of fee would be needed to pay for? Collection, transportation, consumer education? Does anybody want to tackle that?

Go ahead, John.

MR. HAYWORTH: Let me start off by saying that maybe I haven't been clear enough, indicating that yeah, there was the potential for profitability based upon a significant volume of materials flowing. I want to make everyone very clear on the point that today that it is really not a profitable condition to bring electronics to our facilities if, in fact, the only thing that can be done with those electronics is to go directly - into recycling.

If there's an opportunity for the asset management component, yes, there's profitability there. If there's an opportunity for de-manufacturing, you go down orders of magnitude into the potential for profitability, you get to recycling without some up front fee, you're not really going to be profitable today, unless you have a huge volume of the materials to flow through a single point.

MR. WU: Clare.

MS. LINDSAY: I'm just weigh in again. I'm sort of functioning here as somebody who's relaying information learned in the NEPSI process. I'll just clarify in case people misunderstand that. EPA did not dictate any particular outcome in the NEPSI process. It was never our goal to do that. It was just our goal to facilitate a conversation amongst those who were going to be interested and affected by whatever solution and so when I tell you what NEPSI is saying, this doesn't represent EPA policy. It just represents I was there and this is what I heard people saying.

It seemed to me that where we left off on NEPSI and never actually got to a final conclusion on NEPSI was that there was a growing consensus that the fee should cover what is called a base level of service that would be necessary to construct a reasonable infrastructure for collection and transportation and processing of these materials in the United States.

And so to answer your question, what should the fee cover, the NEPSI participants seem to be saying it should cover a portion of collection, not, you know, full bore, not our favorite expression was gold plated trash trucks. It should cover some amount of collection, such that it creates an incentive for people to get into that business. It should also cover the transportation costs and the processing costs for the product. Those are the three primary costs.

And whether or not that -- I'm a little foggy, but I think the records will be clear on this, the NEPSI records, there would probably be some funding in that fee that would also go to helping to create the funding infrastructure, an organization that would run that money and would also provide some funding for an education campaign of sorts so that the consumers would know what this was all about.

I mean I would welcome anyone else from the group to weigh in, if they heard it differently.

MR. ISAACS: Before we start deciding where this money should flow and who should get how much and all that, can we speak to the point of whether a fee is desirable or not? Because we certainly are of the view that a fee is not the most efficient or the most environmentally sound way of doing this and at minimum, similar to the discussion with the retailers, it should not be mandated.

Our view is that if you want to pay a fee to discharge your recycling obligations, then -- or have your products be assessed a fee, then that should be your option. But you should not be forced into a single model with -- that doesn't drive costs down and create efficiencies over time.

So our preference would be for at least for Hewlett Packard Company is to have the ability and flexibility to implement our own system. And we are happy to meet or exceed whatever performance guidelines you can set up, but we think we can do it better than a collective system that is based on a fee that we have no control over, that we think will not provide efficiencies for improvements over time. And I thought Secretary Bond's point at the end of the first session about our prices are coming down, chances are a fee will not.

We fear that there's a risk of the money being directed to other government programs and not used for recycling, so it becomes just a tax on our products. And we think that the work that this Administration has done and you in the Technology Administration, in trying to promote broadband deployment and the use of IT throughout our society and our economy, that work is somewhat inconsistent with raising the price of information technology products for everyone when we should be trying to minimize those costs and we are willing to internalize those costs.

We think we can do it better. At least we want to give it a try and we don't think we should be forced into a government-run, fee-based system that we believe would be very wasteful.

MR. WU: Why don't we discuss the philosophy of how we finance and then break that off into a second part about should we, or should the lawmakers or policymakers move toward a fee-based system, what that fee should look like.

We've had some people who suggest that the fee system would impact our competitiveness. Does anybody want to discuss that impact?

MR. GROTHUES: It's hard to tell. I mean it could have some impact on sales at the retail level if the fee is out of line with the product.

Let me give you an example. A 6-inch screen TV that sells for $60 to $70, you slap a $10 fee on that, suddenly it becomes a less attractive to a large segment of the population. Because it's a cost. You've just raised the price of the product effectively $10. So it's going to have some impact on sales. What that impact is, I don't -- I can't tell you.

MR. ISAACS: And another component of competitiveness is that to address other recycling regimes around the world, we're going to be making investments in innovative product design and we want to be able to recoup those investments and if we are not able to benefit from that, that will hurt our competitiveness world-wide.

MS. PRAHL: I think too, the fact that you buy goods in many different fashions now, not just in one location. If the fee is assessed at point-of-sale within the U.S. are enough to change market, change the movement of goods, then you could purchase on-line via Canada, that would start to change some of the competitive questions.

MR. WU: That's a good point. Can we flesh that out a bit more?

MS. PRAHL: Well, you know, I think for many of us, particularly retailers sitting here today, it's important for us that any fee that would be retail-based would be assessed on all methods of sale so that it's not just brick and mortar sales or on-line sales, but any method by which a covered good is purchased. That fee needs to follow that sale. But, of course, we only control those purchases that are made from U.S.-based companies or presumably we would and it's harder to collect those kinds of fees from a Canadian seller to a U.S.-end user. So I think those are some of the intricacies that I think we can see some fluctuations on that we wouldn't like to see, based on what decision to make around a fee.

MR. WU: Best Buy, Target and Radio Shack are all brick and mortar as well as on-line purchases. What about those companies that exclusively sell on-line?

MS. PRAHL: It would be our position that they -- if there is a retail-based fee, that that would have to be assessed on all retail sales, regardless of whether they're on-line or in a physical present store.

MR. WU: If there's a disparity, would you expect that there would be a shift to on-line purchases versus your bricks and mortar stores?

MR. GROTHUES: No. I wouldn't because we have a connection with every state. I mean we're going to pay it anyway. Right now, here's the situation right now, for example, the California law. There is a question as to whether they can impose that fee on out-of-state sellers and it's a question that has to do with the difference between a tax and a fee. If it's judged to be a tax, then they probably can impose that fee on on-line sellers. So -- unless you have a physical presence in their state, well, we have a physical presence in their state. So we're going to have to -- our on-line is going to have to assess the fee no matter what. Somebody like an Amazon or a Dell who may not have a physical presence in the state might not have to charge a fee.

MR. WU: They use that -- akin to the state sales tax?

MR. GROTHUES: Very much so. It's a constitutional problem. But if you're talking about actually at the federal level drawing a distinction between on-line sales and off-line sales, I think you just created big problems. I think it has to be assessed on every sale, every time -- you sell to a consumer or to a small business, whether it's on-line or in your store, it needs to be assessed.

If you're going to charge a fee, it has to be on everything, on everyone.

MS. KREBS: We would agree with that, very much so.

MS. PRAHL: That's assuming it's a retail-based fee.

MS. KREBS: At a point of sale.

MS. PRAHL: At a point of sale.

MR. THOMPSON: I would agree with that too. I'd like to call into question, if I could, and I think one of the things I heard David say and that is that a manufacturer type, I guess, collection and recycling system is necessarily going to be more efficient than a retail fee type of approach. And I'm not convinced that's the case because when you start looking at the manufacturing universe, and you find out that you're going to be dealing with probably maybe 200 different brands of computer and television manufacturers that are out there, and think about each one of them to their products back that you're going to have to have a collection system that's capable of segregating those products by brand and returning them to the manufacturers.

I think there's some enormous potential costs there that people really haven't thought through when they talk about how this system is going to be much more efficient than another type of system, the manufacturer take back isn't necessarily going to be more efficient than the fee-type system.

MR. ISAACS: Well, David, we certainly don't know what the future will hold and what will be the most efficient system, but we think that building a system with flexibility built in is the way to go, rather than adopting a more of a command and control type approach that has fees assessed on everything, one group doing everything and you know, potentially operating inefficiently.

Our experience in Europe --

MR. THOMPSON: Are operating efficiently?

MR. ISAACS: Inefficiently. So we'd like to drive toward the most efficient means and let's compete and see how that works.

Our experience in Europe where some countries have fees, others don't, is that the non-fee based systems are by an order of several times more -- the fee based systems are more costly. That's our experience. Maybe your numbers are different, but we would like to have the choice to drive our own system, partner with who we see fit. You know the Office Depot program that we conducted this summer was cost-free to the consumer.

It was a great success and we think it worked. And we think that the administrative costs alone of that were significantly less than the administrative costs we're currently incurring for California that hasn't even collected and recycled anything.

MR. GROTHUES: Let me ask you something.

Does that mean that if I as a waste seller were to sell your product as opposed to David's product that if I sell your product, I would not collect the fee because you have your own program and if I sell David's product, I would collect the fee because he doesn't?

MR. McCURDY: Not necessarily.

MR. ISAACS: That's a possibility, I suppose.

MR. GROTHUES: Okay.

MS. PRAHL: Actually, I keep raising my hand to tell you you don't know that it's much of a possibility. I mean I think that really adds confusion to the marketplace.

MR. GROTHUES: That's where I was going with it.

MS. PRAHL: And you don't know whether you've bought something that needs to be recycled or doesn't need to be recycled. I mean the message to consumers through that kind of process I think is very mixed up.

MR. ISAACS: No, but I think as every product in commerce, you know, will soon have RFID tags. And that can easily be managed to distinguish what products are subject to a fee and this would be at a company's choice and which have their own program. And you know, I think that that can be managed and then we can, you know, through competition, drive to a lower-cost system.

And I would add, hopefully achieve better environmental outcomes and you know, I think there's really no one from the environmental community here, but I think that's their preference as well.

MR. McCURDY: Ben, or Secretary, not wanting to take us off the subject, nice dialogue going between the two Davids here, but now I have the third Dave in here, but there are concerns. I think we all have concerns. First of all, with governments imposing taxes. No one is talking about taxes, I think. We all oppose those. And it's unlikely that Congress is going to just jump forward and leap forward and say yeah, we're all for raising fees too, even though they're probably going to be faced with some of this in the next Congress.

The real questions, I think, that have to be addressed before you can get that is can you effectively design a system that embraces some flexibility, that secondly assures or guarantees that the resources that are applied or collected are actually applied to the problem. We have seen user fees in the airline industry. We've seen user fees in other sectors and Congress, quite frankly, and I was part of that, have done a terrible job if it goes to the General Fund and then all of a sudden it's being siphoned off for other activities.

I would not like to see a fee, for instance, that goes to EPA. EPA is not in the business of collecting, managing or appropriating. That's not the place. So I think there has to be some creative minds and that's why I'm glad Ben and Phil and others are trying to look at this as well.

There are some quasi-governmental entities that perhaps could be models. There are other activities that you ought to consider. I think you need to get outside the box here and not think in terms of just the regular fee.

Some of the concerns we have with California, quite frankly, were assurances that one, they had a department that knew what they were doing and that the money actually ended up on the ground. And there are ways you can cap it. There are ways you can do a number of things. But I would actually think that you need to explore this quasi-governmental role, like a corporation almost, quasi-corporate, that even if there was -- and let me just hypothetically to

David Isaacs at HP and maybe to Arnold's point too, if there was some kind of user fee or charge applied across the board to a quasi-entity as opposed to a state regulatory unit, that in fact, also could oversee whether or not an infrastructure-based internalized approach that you are advocating actually met a standard of quality which is what probably could be the model for other kinds of infrastructure, that in fact, that would actually help defer some of the costs there, so you could shift it to that point.

Now that's a difficult concept and -- but that's why you don't want to leave it up to states to do this or to have even just Congress come up with an agenda that's perhaps driven by other concerns. I think if you can address those kinds of questions first, then you can go back to and say what's the -- if there's a fee, what's a reasonable amount? How do you sunset it? How do you pilot it? How do you get the benefits of education, design? Of course, one of the concerns we have about design is we don't want regulators designing the products that our companies are better able to produce.

So I would table those issues, Ben, if we could, and just say is there a possibility? Can we step out of the box long enough to think creatively about that kind of approach before we start throwing down markers and aren't willing to move them.

MS. LINDSAY: Yes, I just echo what Dave said. I think a lot of people who have looked at this issue for a long time really agree with David at HP that really what's necessary here is flexibility, but you have to start somewhere and there may be ways that you could have a fee system with some sort of fair opt-out. That's going to be tricky to work out. But that's one option. The other option is to have the fee for a period of time and then have a series of criteria for reviewing whether that fee is still necessary. That has the added benefit of putting people on notice that this fee may go away and it also puts people on notice that if they can operate in a feeless environment and do better than their competition, you can bring in all the benefits of competition which I think is where HP was coming from and where the NGOs are coming from in really trying to encourage companies to make products that they really do want to get back.

But we've still got this old historical problem that's going to take several years to solve and there isn't any amount of flexibility or design impact that you know that you can maximize by going in a feeless approach.

MR. THOMPSON: I think there's a third option and that would be, I think a fee-based system and I think Dave may have talked about this a little bit that would allow a manufacturer that desired to collect and recycle their own products to do that and if they really could do that more efficiently, and be rewarded through that system, it seems to me that they would obtain some sort of competitive advantage because of the fact that they could do that more efficiently than any other manufacturer or any other group of manufacturers.

MR. WU: Is it feasible to limit the recycled products to just the same brand as those they purchased?

MR. THOMPSON: If you're going to talk about a design incentive, some sort of collection system translating into a design incentive, it's very hard pressed for me to imagine how you could achieve that without sorting the products by brand which to me represents an enormous logistical and cost burden that would be built into the system.

In my own case, when we talk about televisions, televisions are very long-lived. We've done research with the State of Minnesota. We did a study, I think in 1999 where we collected 8,000 something televisions and analyzed them by manufacture date. We found that over 45 percent of them were 20 years or older and I would say that the idea that I'm going to spend 50 cents or a dollar or two dollars now to design a TV that's going to be easier to recycle 15 or 20 years from now isn't much of a design incentive. It just isn't.

If we're going to think in terms of design incentives, I think we need something that takes place at the point of sale, where I guess the benefit to the designer is much more immediate. Hence, we've supported something like maybe playing off of EPA's EnergyStar, maybe a DesignStar, RecycleStar, that if you can design such a product, that it would receive some sort of market recognition benefit immediately, rather than us gambling that we're going to be around 15 years from now to take that product back and recycle it and save a dollar or two dollars or three dollars or whatever that is.

MR. WU: Okay.

MS. KREBS: I think that a lot of things have been said that I agree with. And I wanted to emphasize that flexibility, I think, is one of the primary or top points to make. This has been going on for three years, as far as the NEPSI process goes because it's not a simple problem to come up with a simple solution and we've learned a lot through that process.

And clearly, there's been incredible efforts made by all kinds of different players, but the long-term sustainable solution isn't carved out yet and while I understand the perspective that David from HP is offering, the bigger universe that we all play in still requires that we all participate on some minimum level to get this big, huge new thing that we have to create, created and moving.

I also think that manufacturers or retailers that have stepped forward to play a role and recyclers that have stepped forward to play a role, need to have some acknowledgement of that, that that shouldn't just be forgotten as we're plotting our new path forward. And I think that's a key recognition as ideas are developed into solutions. That has to be factored in.

MR. JOHNSON: I think the concept of flexibility is important, but more importantly, I think from a retailer point of view, especially from Target's point of view is the concept of consistency. The idea of maybe having some manufacturers adhere to a fee while others have their choice of opting out brings a lot more confusion to a retailer. I don't find it to be consumer friendly of having one of our guests come in and Panasonic may be charged $15 for a particular fee or however much a fee whereas another product is not, and with the onus of responsibility on a 17-year-old cashier at Target to try to explain it why one product has been applied a certain fee and another has not, I don't find it very valuable.

We have a mantra at Target which is speed is life which is essentially let's keep the lanes point of sale clear. Let's not -- I see a lot of backing up if that ever happened.

MS. PRAHL: And at the same time we've lost the messaging that we think point of sale provides.

MR. JOHNSON: Absolutely.

MS. PRAHL: When we give all those various options. It's not clear after you walk out of that store and either pay the $15 or you didn't pay the $15, what you're supposed to do with the television that's in grandma's basement. So we need to find some way to not lose sight of that consumer education piece, at the same time that we don't lose sight of the consistency requirements.

MR. GROTHUES: I think the consumer education piece is really the key point. I think in talking about flexibility, we can't lose sight - that at the end of the day, the consumer really has to understand why it is one product is charged a fee and another product isn't. If that's what you're going to do, I think you're going to confuse the customer and we're not going to be able to explain it to them.

MR. WU: John, some of the people who support an advance recovery fee suggest that one of the benefits would be to help motivate the recycling industry and create an industry that will then potentially be self-sustaining and could then, at some point in the future, would have -- would not have to be subsidized to some degree with a fee.

Do you have any comments on that?

MR. HAYWORTH: Yes, I think as I've said earlier at this point in time I mean there is an intrinsic value in every commodity that's manufactured. The volume that you can take back indicates what the size of that intrinsic value. In other words, if I've got a CPU and it has an aluminum frame inside of it, yeah, that's got an intrinsic value. There is a market for aluminum and that particular alloy specifically. But it takes a lot of

CPU frames to get anywhere.

Part of the problem that we have and it may sound like I'm moving away from the fee issue is, in fact, this concept and I know we're supposed to get into this issue a bit later, but I think it plays right here, is that all of these materials that we're considering here are considered waste, straight out of the box.

Every time I relinquish what I consider to be a product just because I no longer want to use it or it doesn't function for my purpose, we want to consider it a waste. In fact, it is not a waste. In fact, it is a product, it is a commodity. It still has intrinsic value. As soon as I put the moniker of waste on that material, I start to create a plethora of regulatory requirements that is going to turn every single recycler out there away from the end-of-life electronic product. Okay.

Now that plays importantly as to whether or not a recycler ever wants to even consider taking these materials, even if it's a low margin or maybe even, in fact, a negative value for the commodity, i.e., the frame that I'm talking about. But, if I take several thousand of those frames, I start to take that negative number onto the positive side of the house. There's where the logistics issues come in.

So I think it's very important to come back and look at the waste/non-waste issue. I think it's very important to go back to the manufacturers, David, like you were talking about. The concept of Design for Recycling which fits hand in glove with Design for the Environment. The key is how easy is it to recycle that commodity, not that waste, but that commodity, if in fact, the manufacturer makes it more easily disassemblable then there is the opportunity for the potential for greater re-use.

If, in fact, the manufacturers begin to use the same actual mix of plastic resins as opposed to a hundreds of different combinations, there is an opportunity to start recycling the plastics. Plastics are a huge issue here that we haven't talked about those kinds of issues yet.

All of that though plays into the fee structure, if there is going to be a fee structure; maybe there is no need for a fee. So I think maybe we're jumping into a fee discussion before we deal with a lot more of the actual fundamental or foundational issues and that is what is the concept here of how we're going to regulate this activity.

The more regulation on the activity, the greater the cost, the greater the fee that's going to have to be paid or the larger the end market. I think we've got a huge set of issues here we need to deal with that are predicate to any fees.

MS. PRAHL: We tried for a while with a little spin-off company called Idletech to provide a secondary market for used electronics and our biggest hurdle there is that any used merchandise are usually governed by local laws related to pawn shops and all that sort of stuff. So typically, we have to hold the merchandise for 60 days and register each piece with the police. I mean it fell apart, the basic business model fell apart rather quickly.

So there are lots of ideas out there, there just isn't an operable way to make them useful. But there's lot of value in a lot of these products.

MR. HAYWORTH: Very much so. And I mean there has to be a solution to that. That's a perfect example of this patchwork of requirements that somehow we're at the national level we're going to have to wrestle with and correct in some way shape or form. When we developed the solid waste regulation, when we developed the hazardous waste regulations, we did not look forward to thinking about electronics and the recyclability of an electronic device. We didn't think about that in terms of automobiles either and the mercury switches in automobiles. We have to have some solution for it. And it has to be forward-looking, but to deal with the problem today.

I think a lot of it starts with the regulatory community.

MR. McCURDY: Clare, speaking for the regulatory community, how --

MR. HAYWORTH: Sorry, Clare.

(Laughter.)

MR. McCURDY: -- do you define the commodity or product that's to be recycled to avoid terms like toxic waste, hazardous waste, all those kinds of definitions?

MS. LINDSAY: Well, I don't think we addressed that. I think we assumed that -- first of all, at the point when we were doing NEPSI, the only product in the stream that we were talking about that had been identified as hazardous waste was CRTs. And of course, EPA on a very slow schedule, as everyone knows, had been working on trying to come up with a reg that would kind of de -- I don't want to say de-regulate because that's not what we're doing, but would loosen and make more realistic and more practicable the management requirements for CRTs and the hope was that stations would pick up on that, and that that would remove some of the stigma that I think John is talking about because recyclers are loathe to deal with hazardous waste. It raises their costs. And this is already an area where there isn't enough money around to deal with this. You don't want to add costs where you don't have to.

So I think that that was what was anticipated, was that once we got going on this that EPA's rule would come out and then EPA would try to encourage states to quickly adapt and assume the same practices that we were recommending so that this wouldn't be a barrier.

MR. GROTHUES: Realistically, would the states --

MS. LINDSAY: Realistically, the states do take their time. However, there are precedents which I would hesitate to raise, but the RBRC, the bill that facilitated the national deployment of the RBRC program had the effect of making an EPA rule automatically effective in 50 states.

MR. McCURDY: That's the -- again, that's one of the incentives of doing a national -- trying to achieve a national consensus is to get that regulatory relief and yes, there may be a trade off in some way.

There's going to be costs. If anybody thinks we're going to avoid costs here, you're smoking something. There is a cost. Whether it's up front or behind, internalized, external. The question is can you develop flexibility while maintaining some consistency in the definitions so that you have again -- there isn't a classic government model there today, but that's why there's an opportunity there and it's also -- a couple of incentives.

One, I think this Congress and it's going to be a Republican-controlled Congress for the foreseeable future, is not prone to endorse taxes or rate hikes or all that. But if there are sufficient tradeoffs and industry supports that, and there has to be, and it's also avoiding a greater concern, that being multiple regulations, higher regulations at the state level, plus an international imposition when California is relying on the European Union to design standards that affect everybody, that's not an outcome that I think is in the best interest of the consumer or industry. But you've got regulators and bureaucrats trying to make that decision.

So I think the value of this section is why I still don't want to open that door and let you out, is to say there are significant tradeoffs and there are some benefits that can be achieved if we keep going in that positive direction.

MR. WU: We heard it here first about the Congress from Dave McCurdy.

(Laughter.)

MR. WU: Let me ask about the stakeholders involved if states and/or the federal government should move towards adopting a fee. And let's say portion out the fee collection. Who or what stakeholders could lay claim to a portion of that fee? I know there's a significant number from recyclers to the transporters to the manufacturers to the retailers for having to disseminate and collect and do administrative work on fees. But can we get an exhaustive list of who might lay claim to such fees?

MR. ISAACS: I would add the road builders and the educators and the prisons and the law enforcement community --

MR. WU: Assuming that goes beyond -- goes into a general fund.

MR. ISAACS: Yeah, sure.

MR. McCURDY: And there's precedent. Unfortunately, there's a lot of precedent for that diversion, whether it's patent fees, airline fees or something else. That's why you have to look at a different model.

MS. KREBS: I agree.

MR. McCURDY: I think there's a model out there, but you have to find that model.

MS. KREBS: Because it will be rated. It's being rated in every state. There's a recycling infrastructure in the State of Missouri right now that's going to be rated for administrative costs, for other kinds of activities.

So I would not support something going into some sort of a general fund or something that could be rated. It sets recycling back. It gives recycling a picture of this huge fund.

MR. WU: But Kate, industry coalition would be the ones who could benefit from that fund, would they not?

MS. KREBS: Our coalition wants the infrastructure of recycling to work. Our coalition has members that want us to keep funds from being rated.

I'm going to Missouri next week because of recycling funds being rated. And so in my mind and in our membership coalition, we don't want to set up some sort of an infrastructure and go through all this sweat of setting up a funding mechanism, whatever it is, and have it rated to build a road. That's not the point.

The point is to build the recycling infrastructure for -- we call it e-scrap and make sure that there are goals and metrics and efficiencies incorporated in the system.

MR. ISAACS: So we're all for building the infrastructure and we think we're playing a significant role in doing so. As I mentioned before, we're the largest computer recycler in North America and we've set a target of one billion pounds by 2007 and you know, we've mentioned a couple of times this program with Office Depot.

So there's two ways of doing it. One is to have a big pot of money that gets dispensed by government or some other entity where you know I think if it's a government-mandated fee, governments at the table, they're not the menu.

(Laughter.)

They're at the table making some decisions there. And you know, I think a more market-based approach where you give various entities the responsibility to take certain actions. They'll find the most cost-effective way of achieving those goals, or at least preserve that option.

MR. THOMPSON: I continue to see no reason why if we do figure out a way to protect this fund from the -- I guess the immediate needs that certain I guess politicians have to solve ceratin problems, that it couldn't be the most efficient way to solve this problem on a national basis. There's no reason why a third party organization that ran a recycling system couldn't contract with recyclers around the country or collectors around the country to do this in the most efficient way possible.

I just have a hard time I guess understanding how this -- how each individual manufacturer is going to set up a system that isn't going to be confusing to the retailers, to the consumers, to local government, to state government, officials that are trying to oversee it and is going to deliver the goods in a cost-efficient manner. That needs to be explained and it hasn't been explained. I think the closest we've come to that is the main model and a lot of us have a lot of questions about how that's going to be implemented.

It seems like they're proposing to sort products by brand, at least if not to return them to manufacturers at least to tell manufacturers what their percentage of the total costs are which strikes me as a very burdensome process. It clearly, to me, the way it's structure, it places a company's responsibility based upon their waste stream share of products.

So if you have a company that has a large current sales share and a small waste stream share, that company would be able to, I guess, really build a smaller cost into their current sales and probably increase their sales at everyone else's expense. If you have the converse where you have a company with a large, historical share and a small current share, then the converse is going to be true. They're going to have a larger financial burden to pass on to the consumer, if they can, through this smaller current sales share.

I also think that, and I'll be quiet after this, but I think that the Maine law discriminates against the North American manufacturers of products in that it does place one's financial responsibility based on one's waste stream share of products and we face a situation now where at least in the TV industry most of the historical manufacturers, people who have these historical shares of products entering the waste stream are North American base producers and they're going to be at a very distinct disadvantage against the new entrants into the marketplace that are going to be coming -- that are coming right now.

There are several companies that are coming back into the television market that haven't been in it for years with new flat panel displays, that are going to have a very distinct and I think competitive advantage vis-a-vis the historical manufacturers who have so long manufactured in North America.

So it is a very complex situation and I am hopeful that we can figure out a way to fund a comprehensive recycling system that will give companies -- we think they have a way to compete and collect products and have a way to do that.

MR. McCURDY: Ben, can I ask a question? The two Davids here or anybody else that knows. If the California law is actually implemented, how do you rate it today? I mean California is one of the largest economies in the world. They set a heck of a precedent for probably more than Maine does. I'm not disparaging Maine, but they're not quite as big a market as California and they've got a novel approach. We've got some book ends here. And if you're looking at the two systems, the odds are that the California based model probably becomes more replicated.

How do you rate the system? There are real problems that they're facing in implementing that structure. And the Governor, the "governator", I guess assumes that it's going to be law and they're going to sue.

MR. GROTHUES: If you don't mind, I'd like to jump in just from a retail point of view.

We have problems both with Maine and California. With Maine's law, the problem is that we can't sell a product until one of these guys (the manufacturers) gets their product approved by the Department. So that puts us in a position where if there's a backup at the Department, we have to pull products off the shelves which affects sales. So we have a problem with that.

We also have a problem with the California law. It's a very complex law, number one. It's got three different rates for every product with a screen size over four inches. The programming of our POS system is going to be very costly as products come on and go off the list. That's built into the law. So it's going to b a constant programming situation. As we get notices from manufacturers, we're going to have to reprogram. And the cost to retailers is going to be pretty substantial.

Also, to me, when you look at the system itself, you've got two different agencies involved and to some extent we probably caused that, but you've got the BOE involved and you've got the IWMB involved. Both of those are assessing costs.

MR. WU: For those non-Californians, can you spell out the acronyms?

MR. GROTHUES: It's --

MS. PRAHL: Integrated Waste Management Board.

MR. GROTHUES: And the Board of Equalization.

MS. PRAHL: That's right.

MR. GROTHUES: The tax collecting entity and the environmental entity in California. Both are going to be taking an amount of those fees to fund their internal resources to administer this program. So at the end of the day you really have to question how much of that fee is actually going to be going to recycling, other than just supporting a bureaucracy at the state level.

There a problems with both of those laws. Watching how they implement them or are unable to implement them will be very interesting over the next couple of years.

MS. PRAHL: And California is going to implement them on the top five selling days of the year?

MR. GROTHUES: Yeah.

MS. PRAHL: That's helpful to retailers, too.

(Laughter.)

MR. McCURDY: Well, but doesn't that argue for something that's more quasi-government, that actually could be business-run, or stakeholder -- that's a better term, right? Make me more politically correct here.

(Laughter.)

Stakeholder-run activity that has actually dedicated, earmarked to an activity in an outcome as opposed to a bottomless pit of the government's state or local that is not going to be as efficient in the outcome or measurable. And wouldn't you rather -- I've yet to hear anyone stand up and say California is perfect or Maine is perfect. I've heard they're both not that great. Well, this is a new evolving area.

Why can't you all as adult stakeholders come up with a --

MR. JOHNSON: Define adult.

(Laughter.)

MR. McCURDY: Well, we're not hiring 17-year-old checkout clerks.

(Laughter.)

The question is doesn't that really keep you at this table a little bit longer to say can't you be creative? Don't assume that government can't think out of the box. There's times it does it -- and I think there are members who would look for the opportunity to take a lead in trying to find a way outside of the box that they have.

You need some creative ways and you need creative organizational types, but again, I would opt, my bias is to opt for an industry involved entity as opposed to a government and certainly not a European government involved sector or activity.

MR. WU: Why don't you wrap up on this point and I want to touch on what Dave discussed about the international --

MS. LINDSAY: Yes, I would just say that every single government that I have talked to with perhaps exceptions that I could count on less than one hand would argue that it's time for a new model to be developed here and I think they would say even if we don't have a precedent, it's no time like the present to develop a precedent. And that is if you agree that a fee should be collected, that there is some sort of quasi-governmental or largely private, but with an advisory group of multi-stakeholders kind of keeping an eye on things, that that's going to be better than having government management for numerous reasons.

The second issue and possibly the harder issue to get -- I know it's the harder issue to get consensus on is can you have a fee system with some sort of opt-out? And what do you gain from that? And -- but if you're going to have a fee, the fee -- I think you'll find a large amount of consensus that it ought to be sort of quasi-government, quasi-private managed.

MR. WU: Let's talk about the international impact of tech recycling. The G8, the Sea Island Summit back in June, there was an agreement that the government of Japan will host a ministerial conference in Tokyo, I believe, in April. And they launched the Three Rs Initiative which is to reduce, reuse and recycle.

If Congress or as Congress and policymakers move towards looking at this issue and considering all aspects, is there an aspect on the international stage that they should be concerned with as well?

David, you had talked about the 3Rs Initiative before.

MR. ISAACS: Yes, I was just informed about it today, so I can't really speak to it, but what we had talked about over lunch was sort of a related issue of design mandates and how they can -- in the name of environmental protection really hurt -- create trade barriers and hurt innovation and put certain companies or countries at competitive disadvantage if not done right. We'd like to see some harmonization done there.

I think just given the nature of the issue, we can tolerate more disparate approaches on the recycling side because it's more of a localized or you know, country-wide activity, rather than a product that needs to be sold and marketed internationally. But the design component of this issue is a very critical factor in our mind.

MR. WU: As the federal government moves toward participation in this 3Rs Initiative would you have or any of the manufacturers or stakeholders have any suggestions on how the federal government should proceed?

MR. THOMPSON: I am like David. I don't think I know enough about what the initiative is to really comment.

MS. KREBS: I'll just make a side comment. Reduce, reuse, recycle has been a part of our organization since we started and I have a little bit, it's on my desk of what this is and I haven't reviewed it. And I think it would be good for all of us to review and to see where they want to take it. I think that's one of the more critical aspects, is what overlay do they want to do with this, but I think even Congress has affirmed historically a strong commitment to that sort of hierarchy. And very much would like to see it continue.

MR. WU: Well, as the Commerce Department moves forward, we can keep the stakeholders apprised and the Initiative is being led out of the International Trade Administration here, at the Department. And I'm sure there will be views as well, as they move forward.

Clare.

MS. LINDSAY: And I just had a question, is it going to be largely a trade focus or is it also going to have an environmental focus? Are they inextricably linked or not?

I mean I think EPA --

MS. GAINES: I hate to speak for my

Agency, but some of the conversation was that we would like this to be more product and process oriented. And if, through that, you have environmental benefits, then all the better. Would you say that's an accurate statement? So because the thrust would be market access, so for instance, there was somebody who talked about recycling of rubber tires. If we got a process, how are you going to get rubber tires into any country? They don't want them. They don't want our garbage.

So if you have a process that you describe, you can shred these and you can make roads out of them, then we then have market access. But we also have environmental benefits for both, for us and for them.

MR. ISAACS: Well, one additional point I would make is everyone knows the 3Rs and the waste hierarchy, but one thing to keep in mind that as companies and developers of new technology need to keep in mind is more of a life-cycle approach and the various environmental impacts that our products and technologies can have.

So for example, there's programs here in the U.S. to take older automobiles off the road to reduce pollution and have more fuel efficient, more clean burning cars on the road. While it might -- in the waste hierarchy you might say you have to re-use that old car, it might not make sense taking into account other environmental impacts.

So we just need to keep a full life-cycle approach in mind.

MR. WU: One of the concerns also internationally is that, for example, in California, they adopted a European Union standard without participation of the United States American electronics manufacturing companies.

Could somebody comment on the concerns that are raised as a result of that?

MR. THOMPSON: We actually supported that adoption of the ROHS directive (Restrictions on Hazardous Substances) in California and the way they did it because we thought that's what it took to have that legislation passed.

MR. GROTHUES: To what extent does -- aren't you already building products that comply with that standard? I mean wasn't it more of a consistency issue?

MR. THOMPSON: It is a consistency issue, but it's still quite possible to build products. This is an enormous market. It's still possible to build products for the North American market irrespective of what you do in Europe or in another country and we argue that this was one way that California really was moving the environmental ball forward by adopting these standards. We planned to do it on a world-wide basis and I'm sure most larger manufacturers do, but I'm not convinced that everyone does or was or is.

MR. ISAACS: Well, I think it is a problem. Obviously, we're complying with the ROHS directive on a world-wide basis so our market access will be unimpeded, but what was not entirely clear at the outset was as EU implementation of this directive changes, whether California would automatically move in lock step and if they didn't, we would face potentially disparate product standards in major markets which would create lots of problems.

You know, to David's point, that this is what it took to get the legislative passed, I mean I think that there was a group that wanted a fee and were willing to accept some baggage along with it, and the design standards adopted in California was their attempt to show that they weren't just raising revenue. They were also trying to achieve some environmental goals.

MR. THOMPSON: I don't quite see it that

way.

(Laughter.)

In that the original proposal in California, I thought, was pretty detrimental to the U.S. television industry. And we were very concerned that that proposal was being moved forward by another group and chose to really try to do our own approach.

MR. McCURDY: That's the nature of the legislative process, if you don't take charge early.

If you're reacting to a proposal, let me tell you, you're going to have those tradeoffs and they're going to bite you.

If you, on the other hand, develop a consensus and can come up with a recommendation, then you're able to find sponsors and supporters that are motivated by -- I think -- by a better instinct to try to get an outcome and it's not going to be perfect and it won't be. I can assure you, it's far less costly than having to have lobbyists in 50 states or both in Brussels and then worrying about what the Chinese are going to do on their standards some day down the road.

So I keep preaching the song that I think it needs to be said, you're taking a risk.

MR. WU: Achieving consensus is clearly what we want to help create a road map towards and be mindful of the time.

Let me try to wrap up by asking what is needed of government and we've discussed a lot of issues here this afternoon. We seem to have some consensus on certain general directions, if not unanimity. But what more needs to be done to move this issue forward?

Let's take it on the national level, state level, voluntary industry cooperation and what are the interstate commerce ramifications of having different state laws, if a state decided to move forward?

MS. PRAHL: Well, I think -- I heard earlier, very early on that none of us are very interested in a state by state approach to this issue, that it doesn't provide certainty for any of us, but it also doesn't provide much certainty for any consumers.

You buy a television in Phoenix and you move to L.A. and what do you do with it 10 years later? It becomes very confusing in the grand scheme of things. So I think the state-by-state action is not interesting to many of us.

MR. ISAACS: I think John raised earlier a number of regulatory actions that would be very productive in terms of waste classifications and the rules that govern the management of these products. As was said before you know, you're sitting in front of your computer, TV, eating milk and cookies. Just because you unplug it doesn't mean the milk and cookies can't be around it and you know it's not all of a sudden posing risks to human health or the environment and therefore I think we need to take a more common sense approach to those rules and that might help lower the overall cost, while still maintaining environmental standards.

MR. JOHNSON: Did we gain consensus to the approach where if something needs to be done primarily, if we do come up with some type of conclusion that it has to be done on a third party level, non-government or government organization type level and ignore -- stay away from the state or for any type of government because it's going to rate the fund, did we come to that consensus?

MS. KREBS: I think that's a critical key to buy in. That was one of the take always that I had from my NEPSI experience was. There was overall concern about government-run program where that's where the funds go because of that -- of loss of the goal and loss of what the funds are dedicated for.

And -- but the descriptive of what this

third party is the devil is always in the detail, as you said. And making sure that it does meet all the different stakeholders' needs is critical, absolutely critical.

MR. ISAACS: Not to add more complexity, but I guess I have to, is that -- I agree with what you said, but also we don't want to be compelled to join a third party organization and we want the flexibility again to operate our own program, partner with who we choose to and compete. And so if there is a one size fits all group that everyone must participate in, that's not something we're interested in.

MS. PRAHL: Do we all agree that if consumers feel some pain today that they will do the right thing with their -- it's sort of in this non-conversation that regardless of what we do here today, that consumers will recycle product.

MS. KREBS: Well, I think if you look at some of the other instances of products and consumers' reaction to them, you know, fee-based kinds of things. You can look at bottle bill kinds of instances and look at recycling rates in those states and there has been an erosion, definitely been an erosion in recycling rates in many states. And so -- there's also been an erosion in consumer awareness campaigns about the value of recycling and the importance of recycling and I think it goes hand in hand and I'm going to sound like the one note person here, but without some sort of an education outreach, interesting, capture-their-attention type of messaging, no matter what we do and how many gray hairs we get figuring this out, if we don't let consumers know about it in the right way, it's not going to work in the way that we all want it to work.

MR. HAYWORTH: I also think that and I will go back to something I alluded to earlier, and that is we're in the business of managing commodities, we being, ISRI and my membership. That is where we want these materials to go. They are, in fact, commodities. They ebb and flow like commodity prices ebb and flow. We have to do absolutely everything, if we want this to work, with a good education campaign with either a fee structure or a non-fee structure, quasi-government, government, whatever it happens to be. We have to take absolutely all of the potential stumbling blocks out of the way of getting the intrinsic value and the natural resource values that are in the product out of that product before the final decision is made. When there is no market, that's the point in time it becomes a waste. You make the decisions on how to manage it at that point.

That said, there are a lot of environmental folks that feel that that's very deregulatory in nature. I don't agree. There are opportunities to do these kinds of things and other fashions other than direct government regulation. I think there is good opportunity for third party activities for certification to help let's say foster this product or this process, to be sure it works in the right way. So I think we have to remove the stumbling blocks.

I think we've talked about a lot of things here. The fee is not going to have to be as large if a lot of those stumbling blocks are not in the way. So I think we have to keep that foremost in our mind.

MR. JOHNSON: I think more importantly, as well, is that we all have to be under the same umbrella, playing in the same sandbox. I keep hearing that one group has this idea, one group has this idea what's best for the industry. But when it all comes down to it, unless we're all together, we're talking at grass top level and once it trickles down from grass roots from a retailer point of view, it again causes confusion at the retailer point of view and especially confusion for the consumer.

So I think it's important that we have regardless of how flexible and creative we are, that it is consistent and everyone is holding hands, if you will with the same message.

MS. LINDSAY: Just one last thought to Paula's question. I agree with you. I don't think the fact that we're going to put a fee on this is going to guarantee that everybody is going to come back. But it will certainly increase the likelihood in a couple of ways by A, helping to ensure that there are convenient places to drop this stuff off. And we know that there's an unmet demand for that.

Two, as this becomes more a regular thing in our world that products get taken back, markets grow for those products and designs for those products change so that the markets can grow, especially if industry is more closely involved. That's another one of the reasons why you don't want the government being in charge of finding markets for this stuff. You want industry in charge of finding markets for this.

But this may sound like pie in the sky, but eventually, you hopefully get to a point where by combining the front end, sort of subsidy, and increasing the demand on the back end, you may actually come to a point where there is an affirmative incentive to the consumer to bring this stuff back. I don't want to say deposit refund, because God forbid, that's just -- nobody wants that. But there may come a time and it will be down the road a bit where people actually want these materials and they'll pay for them. And they'll pay the consumer for them. And that's what Kate was getting to with bottle bills.

The reason people recycle bottles at 80 percent in bottle bill states is they get paid for them. Maybe what we're trying to do is turn the boat around, the big boat around so that eventually there's a draw for these materials and that's what will really get the consumers engaged. That, plus the fact that we just have to completely re-energize the commitment and the passion for caring our resources and that's what NRC is trying to do.

MR. WU: What we're trying to see, if we can the decision makers to create the most idea and effective solution.

Can somebody volunteer the most effective and ideal scenario? Walk through from a consumer perspective and then also from the products' perspective the process that would be the most ideal and effective from the consumer and then also from the recycled product? Does anybody want to take that on?

MS. KREBS: Well, I think I said this at NEPSI and at some point in time it has to be as easy to recycle it as it was to buy it and not now, but at some point in time that's where we need to be.

MR. GROTHUES: Well, wouldn't --

MS. KREBS: That doesn't -- I wasn't pointing a finger at retailers in any sense.

MR. GROTHUES: Would that argue in favor of government picking it up at the curb?

MS. KREBS: It's not always the most --

MR. GROTHUES: It is for the consumer. I stick it out on the curb and you pick it up.

MS. KREBS: For cans and bottles, it definitely is the most convenient system.

MS. LINDSAY: Maybe somebody else picks it up at the curb.

MR. GROTHUES: There you go.

MS. LINDSAY: A scavenger. Somebody who can make some money off of this. That's where we're headed.

MS. KREBS: Pardon me?

MS. PRAHL: We've never run a recycling event where we hadn't had --

MS. KREBS: Lines of cars.

MS. PRAHL: That, but also people who want to get parts and pieces of what is being recycled.

MS. KREBS: Absolutely. Every event I've seen is the same thing.

MR. HAYWORTH: Let me say though that the scavengers and, in fact, that's where a lot of my members' families started off.

(Laughter.)

In fact, our industry has really and truly been built over the years trying to find end markets for commodities and you can look at that however you want to look at that, but a person coming out and trying to scavenge, if you will, those materials, they're looking not to bring those to one of ISRI’s company's facilities to buy that product because it is a valuable item. That is, for electronics for the most part, it is still usable, it's resalable, it's refurbishable, it's an asset that can be used by somebody else. You're not going to bring it to the front gate of one of my facilities and expect somebody to pay for it just for the aluminum in it or just for the glass in it.

There needs to be a significant volume of the material to make it worthwhile.

MR. THOMPSON: We've had a very

interesting discussion about all of the many complexities that attend this issue and I think it would be very interesting if the government, maybe the Department of Commerce could help us understand the societal economics of different views and systems. For example, we have the advance recovery fee approach and there's been a lot of criticism and much of it probably just about how fees get misused and transaction costs and handling costs of the fees, for example.

We've talked about costs internalization, but we really haven't talked about the costs that really attend the administration of that type of system where costs will be internalized. They may be marked up unbeknownst to the consumer as it moves through the distribution chain. We don't really know what that cost would be or how much more expensive that may or may not make a system. We haven't really looked very much at what individual companies go through in terms of these cost internalization schemes and in terms of quantifying how much a cost is for product and transferring that back to an individual manufacturing division and what all of those handling costs really amount to.

I think there's a lot of costs out there that we've talked about, but really even though we've been talking about this issue as a society for six or seven years, we haven't really solved a lot of those types of questions. I think it would be very helpful if we can get that type of information out to policy makers that will help make decisions.

MR. JOHNSON: Did we come to a consensus as to the fact that a mandatory take back is neither ideal or a good idea for retailers, but it's off the table?

(Laughter.)

I thought that's what I heard. No. Is that -- can we come to that consensus?

MR. GROTHUES: You can as far as I'm concerned.

(Laughter.)

MR. JOHNSON: I want to walk away from this discussion saying we had a great discussion, but we also came to at least two, three, four consensus -- we've had this discussion over and over and over again and it seems like we're walking away pulling our hair out.

(Laughter.)

I can grow it out, by the way.

(Laughter.)

We're very passionate on the fact that any mandatory take back is just a nonstarter and I haven't really heard any opposition to that so I guess I'm also very passionate for a national solution, so we'd just be concerned -- we would just appreciate it if we could come to a couple, at least two, three, four things we all agree upon and we can walk away holding hands, saying do you know what, we did something.

MR. WU: Well, I should say, Kevin, that consensus may, in fact, exist, but this exercise is not designed to be a definitive consensus building forum.

What we've tried to do with this is to try to bring as many of the disparate views in as possible, to have a good discussion and all of you, representatives of the affected stakeholders in some forum or another. We tried to assemble everybody so that we can lay out the issues as objectively as possible so that we can prepare a report to provide to the 109th Congress when they convene at the beginning of the new year and also any interested decision makers and policy makers. And so to that extent I think we have success.

I'm not sure that we necessarily need to come to consensus, in this venue, just because we don't have everybody at the table. We have selected people who are good representatives, we think, with certain points of view, but this is not the definitive consensus building exercise.

Dave is, I guess, energetic in that endeavor. We certainly wish him well. And there are other NEPSI processes, yet another forum that we can try to drive a hard consensus, but this exercise, this roundtable we find very useful and we hope it's educational and informative as well and certainly it will be instructive to our Office of Technology Policy as we move forward on creating the report.

MR. McCURDY: Ben, can I just in closing, first I want to thank you and I think we all thank the Department for sticking your neck out and actually doing something that is very constructive in trying to pull this -- and we appreciate EPA.

You know, a little bit having -- I've gotten gray hair in the process of both government and in private sector and it's interesting, people -- their positions are often well-defined because of where they sit and sometimes you have the computer folks on one side and television on the other. But let me tell you where the industry is going.

The industry is digital so the old analog is out. And when it's digital it also means it's converging which means that it's no longer going to be as clearly defined by sector as perhaps we live in the world today which means that the stakeholders are going to be there. So we need to be thinking out there, just not looking in our rear view mirror. And there are other stakeholders not in this room.

And I tell you, our bias has been and it's a good market-based approach. We don't want command and control government dictating an outcome, but we just had a bill passed in California which is closer to command and control than we would perhaps like and the timing, timing is everything in this business. Timing in Washington is you either make or break careers and success or failure, based on the timing.

Timing is pretty good right now for a solution, if it's consensus based. But that window is going to close. You've got -- governments are still now at the state level trying to define the positions. We've got international movement. But there is a narrow opportunity now to have a national-based solution, but if we continue this process of meeting and meeting and meeting and not coming up with a consensus position or a draft, that window will close.

And I can guarantee you we'll sit back

five years from now saying why in the world didn't we get a national based consensus? Look what they did in Europe on cell phones and standards? Look at us in the United States, etcetera, etcetera. Always pointing the finger -- the timing of those on the outside are not going to wait. They have a clear agenda and they are far more motivated than market-based solutions for outcomes and they have receptive ears in a lot of these places and so again, I think the timing is now to move and I think you have moved the ball somewhat and I think the report will be helpful, but I hope that we don't end it here. If we do, Kevin, and the retailers who often complain we aren't at the table, there are a lot of other tables we set out there and you are the menu.

(Laughter.)

Every one of you is the menu. We're all the menu there and so if we're going to do it, now is the time to do it.

MR. WU: Thank you, Dave. Let me give each of the panelists an opportunity to close up and to say final thought to help guide the policymakers as they move forward, but also if you have an individual policy or program within your company, here's a chance to have a shameless plug and say why it works for you, which system is best and the factors that have come into that decision making.

So we'll start with you.

MR. THOMPSON: Well, first of all, I'd like to thank you for hosting this meeting. I appreciate the opportunity to come and talk. I'd like to say just very briefly that we, Panasonic, has formed a coalition with other manufacturers. I'll name them: Hitachi, Mitsubishi, Samsung, IBM, Sanyo, Thompson, Sharp, Philips and JVC and we've come to the conclusion that an advance fee approach to this problem is really the best way to proceed. We think it solves the most problems with the least pain that are out there that need to be solved in terms of collection, logistics of transportation and funding the cost of recycling.

We understand that other companies have different point of views and we think that this fee should be administered as many people are suggesting by a third party organization that can do the best job to be efficient in the way it handles these monies and develops its program and that companies that do want an opportunity to demonstrate or collect their own products and do so efficiently should be given an opportunity to do so.

MR. JOHNSON: Again, I just want to thank everyone for allowing me to be part of this roundtable discussion. Hopefully going forward, I can continue to partner with each and every one of you on this important matter. I can't stress enough how big of an issue this is for Target Corporation an dhow big an issue it is for our guests and we're willing to get the ball rolling, as you said, and I agree that timing is of essence.

This issue, in particular, smells like so many other issues that I covered where you have a small window and we talked briefly today about creativity and being flexible, but we also have to balance that with the fact that either we assist in doing something or they're just going to do it without us.

So I guess I would just like to stress that I would love to get the ball rolling. I would love to come up with a set of guidelines that we as a group and those that aren't here, but we'd like to bring in, can agree upon and can disagree upon. I would love it if whatever idea we come forth with it's on a consistent level from a retailer's point of view. It's easy to administer. There's a lot of -- provide a lot of comments from the retailer's point of view and that it's easier for the consumer to handle.

So remember three things, whatever comes out of this it's retail-friendly, it's consumer-friendly and more importantly, it's environmental-friendly.

MR. HAYWORTH: I, like everyone before me, wants to thank the Department for hosting this and certainly the opportunity for us to participate. Personally, I believe that this entire problem is one of holistic nature. It is, in fact, an issue that begins with the design phase. It's an issue that the recyclers play a direct and integral role in and it's a component of if, in fact, we cannot resolve the stumbling blocks are the commodities business and all of these electronic products are the commodities. If we don't remove those stumbling blocks, I don't believe just a resolution of a fee structure will take care of the problem, because as discussed that fee structure will have to remain forever.

We have to allow the markets to actually participate in this in some way, shape or form. And we, the Institute for Scrap Recycling Industries, are here to support the efforts. While a fee may be necessary at the beginning, it should be for a limited period of time with an eye to the global market-based economy taking over as quick as possible.

MS. LINDSAY: Ben, I just want to thank you and the Department of Commerce for having this meeting. I think this is a really good thing to do.

I think it's really wonderful that the retailers that are present here are fully engaged in this dialogue. We tried from the NEPSI process to get the retailers engaged and I don't think they were quite ready for the subject and I can tell that they are and that's good. And so they have this opportunity now to put their concerns on the table.

And I also think it's great that there are now not only EPA but Commerce engaged in this issue because if there is going to be a national solution, we're both going to have to play in one way or another and I look forward to partnering with you on this and I'm very glad that you're saying that this meeting is just the beginning and not all the stakeholders are here because clearly I can't fully represent all state and local government or even NGOs.

I think that the manufacturers that were here gave a good sense of where manufacturers are coming from. The retailers also gave a good sense of where they're coming from. Kate covers a whole lot of territory like I do and so I'm glad to hear that there's going to be further opportunities for you to receive input from others.

And I just think that -- I agree that there's a real chance for real consensus. I mean I think the NEPSI process is a very good idea of where state and local government are coming from. And to the extent that there's a solution that's very flexible that builds in more manufacturer responsibility, you're going to buy in a lot of NGO support. So if the manufacturers can work it out amongst themselves and can work it out with the retailers, we really are at a very special place where maybe we can work this fully. So thank you.

MR. WU: Kate.

MS. KREBS: Another thank you. I do think it's critical that Commerce is involved in this. It makes a lot of sense. This is a good table to start with, a good roundtable. From the NRC perspective, we are on record in supporting a shared responsibility model for what we call e-scrap as end of life. It clearly has to have a lot of market drivers in it. It has to have incentives to really build this infrastructure. It's a whole new world that we're trying to figure out in the world of recycling and there will be a lot that we'll all learn as we go along.

We've seen historically that doing this on a national level makes more sense. We have state affiliates all around the country, each ones trying to think up a solution. I agree that we don't want to have to be in every single state, trying to make something that works right. But if we don't do something, then I think that's what we all will be doing. We'll see each other at state capitals all around the country. And I don't want to spend my time doing that.

I would rather spend my time making the national solution work and making sure that the messaging works both from a consumer level, but from companies that are engaged now and companies that want to come into the marketplace.

So from our perspective, we'll gladly participate as you take the lead in developing report and provide input and then help go forward on that.

Dave, whatever help you need, we're there to help.

MR. GROTHUES: And I also thank you. I guess if there's going to be a report on this, I'd like it to reflect there's a couple of points I think Kevin made them very well. From our point of view, size matters. Keep in mind that not all retailers are the same. The size of the device that you're asking to be dropped off, if you're considering a mandated take back program really does matter. Consistency matters. Having a national solution is important. I think we all realize that. It's been -- we discussed the California law and the Maine law and we all know that the national solution is the answer so long as it preempts -- what I would not like to see happen is a national solution that simply adds a fifty-first set of rules to apply. That's not what I am after. Simplicity matters. When you're talking about flexibility, you need to keep the consumer in mind and make sure that it's something that is able to be explained adequately to the consumer.

Fairness matters. I don't think you should ask more of the retailer than you ask of the manufacturer than you ask of government than you ask of the consumer. In particular, when you're talking about methods of sales, if it's internet sales versus brick and mortar sales, there should be no difference. If you're going to impose a system on people, then it ought to apply to all sales. Fairness matters.

And cost matters. I really think that any system that we impose here both needs to be cost efficient and also the level of the fee needs to be sufficiently low so as not to impact sales too greatly.

MR. ISAACS: Well, I also express my thanks and thank you for inviting me to participate. From HP's perspective, we acknowledge our role to play here and we accept that role and want to do it in the most consumer-friendly, tech-friendly, efficient way and environmentally sound say possible.

We think that having flexible approaches is the way to do it, that provides the right incentives and is market-based, rather than a fixed-fee approach, government-mandated fee approach. In our view, and I think past experience shows that a fee will likely never go away, never go down, regardless of the efficiencies or lack thereof that are achieved over time.

So we think that there should be different options and competition and incentives should be built into the system. Thanks.

MS. PRAHL: Well, I'll thank you too, but only because you're going to allow us to do a shameless plug and everybody else was too polite, but I'll do one.

And that is that we continue to run our

recycling events and the reason I'm telling you this is that our next one is in Washington, D.C. and I can't believe I forgot to bring the date, but it's in October. So all of you who are in Washington you will have an opportunity to recycle your electronics here in the District.

MR. WU: What about the George Foreman grills?

(Laughter.)

MS. PRAHL: Actually, we take them. But the reason I bring that up is that I continue to be buoyed by the amount of end of life activity that occurs absent any regulatory, taxing fee regime, that people are lining up, sometimes for an hour to return this stuff to a place that they can return it. So I think that there are opportunities that we're not really thinking about when we narrow ourselves into these little boxes that have to be uniform and the same everywhere we go. We just need to find that right set of incentives to provide those opportunities.

We have a recycling event in Henapen County, one of the only counties in the nation where you can leave it on your front stoop and it will get picked up and we collected more in two days than

Henapen County collects in two months. So people are out there, people are interested and I don't think we should discount that the consumer will do the right thing sometimes.

MR. McCURDY: Just one note. We talk about national and state. There's also the international component and Angus, stand up. Mr. Angus Robinson here, represents the electronics industry in Australia and he's been sitting through this entire process. A lot of international eyes are on this. They really are interested in seeing if we can lead which -- and speaking of leadership, Jason and Holly and Brian who work for EIA have done a great job on this and they get to deal with these wonderful players on a daily basis, but I think they are trying to come up with the right approach and look forward to working with the Department.

MR. WU: Well, thanks, Dave. Let me thank all the panelists also. This is a very interesting conversation and it would be very helpful as our office puts together a report that we will be submitting to Congress. While I'm thanking people, let me also thank Laureen Daly for two reasons. Laureen has put together this event and as she was very mindful to try to have the right representatives here and we're very pleased. I think we had the first opportunity to have all of the -- or virtually all of the respective stakeholders participate in this meeting, so that it was a very broad and defined discussion.

So Laureen, thank you for your efforts for putting together this roundtable. And since Laureen you'll be the senior policy analyst in charge of putting together a report, thank you in advance for the report.

(Laughter.)

Laureen will be the contact person also should you have any questions.

We're also going to solicit as much input as possible for not just the panelists here, but also from anybody who is interested in the issue, especially those who were not able to participate. We'll either put out a Federal Register notice or we'll contact associations, but we intend to be as solicitous as possible for a wide range of views that will help better shape the report.

So thank you very much for your time and I appreciate the opportunity to work with all of you and we look forward to continuing these efforts in the future.

Thank you.

(Applause.)

(Whereupon, at 4:23 p.m., the roundtable was concluded.)